

Faculty of Business

Informal Entrepreneurship and Transition into Formal Entrepreneurship: The Case of Sarawak

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DECLARATION

To the best of my knowledge and belief, this thesis contains no material previously published by any other person except where due acknowledgement has been made.

This thesis contains no material which has been accepted for the award of any other degree or diploma in any university.

The research presented and reported in this thesis was conducted following the National Health and Medical Research Council National Statement on Ethical Conduct in Human Research (2007). The proposed research study received human research ethics approval from the Curtin University Human Research Ethics Committee (EC00262), Approval Number HRE2018-0633.

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ABSTRACT

A growing body of entrepreneurship literature has emphasised entrepreneurship in the informal economy. The divergent views of informal entrepreneurship studies following various socio-cultural and institutional developments require extensive research in developed and developing countries. Given the paucity of research on the factors influencing informal entrepreneurship establishment despite its prevalence in Sarawak, this research aims to identify the internal and external factors that influence entrepreneurs to (i) operate in the informal economy and (ii) transition from the informal to the formal economy. Theoretically, the push and pull motivation theory was utilised to justify entrepreneurs' motivation to operate in the informal economy and transition to the formal counterpart. A qualitative research methodology was employed with an interpretive paradigm. The study data were collected from 15 informal and 15 successfully transitioned formal entrepreneurs in Sarawak with in-depth and semi-structured interviews. A thematic approach was then utilised for data analysis.

Both entrepreneur categories were extensively motivated by internal and external factors. Specifically, self-motivation, necessity-driven factors, and personal constraints compelled entrepreneurs to remain in the informal economy. Laws and regulations, opportunities, and social influences depicted the external factors impacting entrepreneurs' retention in the informal economy while self-actualisation and intolerance of informal economic practices influenced entrepreneurs towards formalisation. In other words, regulatory mechanisms and social impacts motivated entrepreneurs towards the formal economy. This research intended to extend the current study area towards informal economies for evidence of (i) the internal and external factors motivating entrepreneurs' operation in the informal economy and (ii) the internal and external factors motivating entrepreneurs to transition from informal to formal entrepreneurship in Sarawak. The study findings would be significant to policymakers for policy implementations on informal entrepreneurship and the promotion of transition strategies to the formal economy. The findings would also be relevant to current informal entrepreneurs who may intend to transition to the formal economy.

Keywords: Informal entrepreneurship, Transition, Formal entrepreneurship, Sarawak

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LIST OF ABBREVIATIONS

DOS	Department of Statistics Malaysia
GDP	Gross Domestic Product
ILO	International Labor Organisation
R204	Recommendation 204: Transition from the Informal to the Formal Economy
OECD	The Organisation for Economic Cooperation and Development
SMEs	Small and Medium Enterprises
SSM	Companies Commission of Malaysia
WIEGO	Women in Informal Employment: Globalising and Organising

CHAPTER ONE: INTRODUCTION

1.1 CHAPTER OVERVIEW

This chapter provides the research overview, background, problem statement, and research gaps. The chapter also outlines the research objectives and questions, scope and significance. Lastly, the research structure is presented to conclude the chapter.

1.2 RESEARCH BACKGROUND

The informal economy implies significant social and economic implications for policymakers, practitioners, and academicians. As an advancement of the contemporary global economy (Gunhidzirai & Tanga, 2017; La Porta & Shleifer, 2014; Luttikhuizen & Kazemier, 2018), informal entrepreneurship denotes the establishment of a business venture in the informal economy (Sauka, Schneider & Williams, 2016; Siqueira, Webb & Bruton, 2016). On another note, the informal economy is the grey area of the financial sector without taxation or government control (Kasim & Jayasooria, 2001). For example, the International Labor Organisation or ILO (2015b) defined the informal economy as all the financial activities by economic units without legal or formal arrangements.

The Organisation for Economic Cooperation and Development, OECD (2002, p. 164) defined informal entrepreneurship as “the production and sales activities that are legitimate in all aspects aside that these activities are deliberately concealed from public authorities to avoid taxes, and has incompliance with legal standards, rules, and regulation such as minimum wages, safety or health standards, social security contributions”. The definition was extensively utilised in past research as unorganised, unregistered, and small-scale activities occurring outside formal economy boundaries and within the informality context (Mehtap, Ozmenekse & Caputo, 2019; Williams, Martinez–Perez & Kadir, 2017; Williams & Nadin, 2012).

Following past studies, the informal economy denotes an essential financial sector on a global scale, particularly in developing countries (Acs & Virgill, 2010; Gurtoo & Williams, 2009; Hallam & Zanella, 2017). On average, informal economic activities account for 10 to 20% of the annual gross domestic product (GDP) in developed countries and up to 60% of the annual GDP in developing counterparts (Medina & Schneider, 2018; Schneider, 2002). Informal entrepreneurship also significantly impacts employment opportunities, livelihoods, and incomes for millions of workers (ILO, 2018; Pratap & Quintin, 2006). In ILO (2018), two billion of the employed population

worldwide works in the informal economy. For example, informal employment predictably reflects 61.2% of the jobs globally (ILO, 2018). Given the significance of the informal sector contributions to developing economies, Williams, Martinez-Perez and Kedir (2017) asserted the informal sector to be a crucial development in entrepreneurship research.

Following the Department of Statistics Malaysia (2016), the informal economy encompasses enterprises that are unregistered with the Companies Commission of Malaysia (SSM) or other professional bodies, including the local authority (LA). Specifically, at least one of the produced goods and services are meant for sale or barter-oriented transactions. Such enterprises employ 10 workers or less without any social security. In other words, the informal sector represents the legal financial activities of workers and entities that are not covered by formal arrangements (Department of Statistics, 2016). Despite the notable contributions from informal entrepreneurship towards economic development, informal economic activities are inevitably associated with regulation avoidance, tax evasion, and social irresponsibility (Floridi & Wagner, 2016). Unregistered businesses have been conventionally viewed as detrimental to firm performance. Based on extensive findings, informal sector enterprises indicate lower efficiency and performance compared to their counterparts operating in formal institutional environments (La Porta & Shleifer, 2014).

The adoption of Recommendation 204 (R204) for renewed efforts to manage informal economic activities was mooted during the 104th session of the General Conference of ILO (2015). The R204 strives to facilitate worker and economic unit transitions from informal to formal economies (ILO 2015b), formalise financial activities, and recognise all work as taxable income sources (Ojo, 2019). In this regard, R204 is an integrated strategy to catalyse the transition of informal entrepreneurship to the formal economy and ensures opportunities for income security, livelihood, and entrepreneurship. The R204 also provides workable strategies for policymakers, such as the Malaysian government to promote local informal entrepreneurs' transition to operate in the formal economy. In line with R204, the government should appropriately assess the factors influencing economic informalities for legal implementations and formal economy transitions. The recommendation promotes entrepreneurial development, preservation, and sustainability with decent jobs in the formal economy to uphold workers' fundamental rights and social protection (ILO, 2015b).

The transition of informal entrepreneurship to the formal economy is beneficial to entrepreneurs (for business growth), the government (for increased tax revenues), and the country at large (Dzansi & Tassin, 2014; Sutter et al., 2017). Such efforts predictably induce economic growth, such as increased employment and productivity (ILO 2014). Notwithstanding, informal

entrepreneurship remains prevalent in both developed and developing countries despite the ILO emphasis on transition-based initiatives (Floridi & Wagner, 2016). As entrepreneurship is perceived to be a socially constructed behaviour (Webb et al., 2009), a sound understanding of entrepreneurs' decisions is necessary to mitigate informal economies following ILO (2018).

1.3 RESEARCH CONTEXT

This study was conducted in Sarawak, the largest Malaysian state with an area of 124,450 km² (Department of Statistics, 2018). Sarawak is also one of the two East Malaysian states on the Island of Borneo other than Sabah and is the third-largest island in the world. The state borders Sabah on the northeast, Kalimantan, Indonesia on the south, the sovereign nation of Brunei on the north, and the South China Sea on the west. Kuching is the capital city, state government seat, and administrative and economic centre of Sarawak (Oxford Business Group, 2011).

Given the abundance of natural resources, 32.8% of the state economy in 2013 was derived from mining, agriculture, and forestry (Alias, 2015). Sarawak is also engaged in manufacturing food and beverages, wood, rattan, and basic metal products, petrochemicals, cargo and air services, and tourism (Alias, 2015). The state GDP recorded 9.7% as of 2018 and became the third leading Malaysian state (Department of Statistics, 2018). Meanwhile, the GDP per capita for Sarawak was the fourth highest in Malaysia at RM 52, 301 (Department of Statistics, 2018). Regardless, the urban-rural income gap in Sarawak remained concerning due to the advent of informal entrepreneurship.

Sarawak was selected as a study location for several reasons. Following Tumin (2020), the total informal sector employment in Sarawak denotes 10% of the total counterpart in Malaysia. The Department of Statistics (2018) also reported Sarawak to have a higher number of informality. In this research, potential entrepreneurs were selected from four primary cities in Sarawak: Kuching, Sibul, Bintulu, and Miri. Following the Department of Statistics (2016), informal economy encompasses companies that are unregistered with SSM or other professional bodies, including LA with at least one of the goods and services produced for sale or barter-based transactions. Such enterprises under the informal economy employ 10 workers or less with no social security. The informal sector generally denotes the economic activities of workers and entities with no legal or formal arrangements (Department of Statistics, 2016), such as unregistered roadside stalls, homed-based trading, and service activities that are undisclosed to local authorities (Henning & Akoob, 2017).

Entrepreneurship is the national economic backbone with 98.5% of small and medium enterprises (SMEs) and businesses establishments (SME Corporation Malaysia, 2019). The service sector encompasses the highest number of entrepreneurship establishments (89.2%), followed by manufacturing (5.3%), and construction (4.3%) in 2017. Several entrepreneurs also engaged in agricultural and mining sectors at 1.1% and 0.1%, respectively (SME Corporation Malaysia, 2019). A total of 61,036 SMEs (a significant number compared to other states) were established in 2016 (Department of Statistics, 2016). Moreover, SMEs have reflected a notable contribution of 6.2% to the national GDP (Department of Statistics, 2016) with 52.8% of GDP to the agriculture sector, 46.4% to construction, 42.2% to services, 34.4% to manufacturing, and 2.4% to mining (Department of Statistics, 2016). The aforementioned contributions demonstrate the essentiality of entrepreneurial establishments to facilitate the national economy.

The National Entrepreneurship Policy (NEP) 2030 implementation is a long-term strategy that strives to inculcate an entrepreneurial culture (NEP, 2019) and establish Malaysia as a prime entrepreneurial nation by 2030 (National Entrepreneurship Policy 2019). Current SME contributions to the economy involve 37.1% of GDP and 66% of employment (Department of Statistics, 2018). Meanwhile, NEP predicts the SME contributions to be 50% of GDP with 80% of employment by 2030 (New Straits Times, 2019). As the sixth state with the highest number of SME establishments in Malaysia, Sarawak accounts for 6.7% of the total Malaysian SMEs (Department of Statistics, 2016). As the transition of informal enterprises to the formal economy denotes one of the key determinants of SME establishments (Chepurenko, 2018), this research identified a sizeable proportion of informal entrepreneurship in Sarawak with high transition probabilities towards formal entrepreneurship. As such, informal entrepreneurship transitions to formal counterparts are vital to actualising NEP targets.

Entrepreneurship is primarily emphasised following the Sarawak Digital Economy Strategy (2018 - 2022). Specifically, the Sarawak Digital Economic Transformation Agenda facilitates the informal entrepreneurs in Sarawak to shift to the formal economy. Given the influence of digital technology at all social levels, Onyima and Ojiagu (2017) asserted a strong correlation between digital technology usage and formalisation tendencies. Notably, digital technology connects individuals within the informal economy to formal opportunities and resolves existing complexities (Dass 2018). Berrou and Eekhout (2019) conceded digital technology to be a beneficiary tool that provides formal opportunities for socio-culturally constrained informal entrepreneurs with conservative lifestyles and secretly thriving businesses. In this vein, digital technology facilitates the informal entrepreneurship

transition to a formal and inclusive economy (Berrou & Eekhout, 2019). The state-level commitment towards rapid financial development with digitisation corresponds to the current research objectives.

1.4 PROBLEM STATEMENT

The ILO (2018) highlighted the dire need to manage the highly complex and multi-dimensional socio-economic phenomenon of informal entrepreneurship (Williams & Nadin, 2012). In ILO (2018), the advent of informal entrepreneurship is highly challenging for workers' rights and welfare, including fundamental work principles and social protection. Informal entrepreneurship also adversely impacts sustainable entrepreneurial development (Nixon, 2017; Rupani, 2014), public revenues, and governmental scope of action, particularly regarding economic and social policies (ILO, 2015a; Josephine et al., 2018). Such intricacies would eventually instigate imbalanced institutions, unfair competition, and hamper inclusive development (ILO, 2015a; Nixon, 2017). Summarily, informal entrepreneurship negatively impacts entrepreneurs, workers, and the government.

Informality lowers productions and deters business growth (Knox et al., 2019; Ramasamy, 2017; Struwig, Krüger & Nuwagaba, 2019). For example, low national GPD results in high informality (Acs & Virgill, 2010). Categorically, informal entrepreneurs are a vulnerable economic group (Doorn, 2018; ILO, 2015b) as unregistered and undeclared businesses cause intricacies in applying for loans (International Finance Corporation, 2013; Kamath & Ramanathan, 2015; Tassin, 2014). Low financial access to the current market deters their business growth, production, and development (ILO, 2016; Tassin, 2014; Kasim & Jayasooria, 2001). Informality also leads to inadequate social protection, employment rights, and optimal working conditions for individuals in the informal economy (ILO, 2018). Zahiid (2018) reported that an unregistered and ambiguous employment status through informality lowers worker protection under Malaysian laws, such as the circumvention of labour market regulations: work abuse, low minimum wages and social protection, and risky working conditions (Bernama, 2018; Department of Statistics, 2017; Muthusamy & Ibrahim, 2016).

This research aimed to examine the transition of informal entrepreneurship to formal businesses following the loss of government tax revenues and undisclosed income taxes (Palda, 2001; Josephine et al., 2018; Joshi, Prichard & Heady, 2013). In Din (2016), tax non-compliance rates from informal entrepreneurship are approximately 20% in Malaysia. Based on Williams and Horodnic (2016), tax non-compliance originates from individuals' tax evasion and hesitance to pay tax (Din, 2016; Saad, 2014; Williams & Horodnic, 2016). Tax evasions subsequently lead to loss of tax revenues

and low government funds for economic development (Ching, 2013; Mohamad, Zakaria & Hamid, 2016; Pickhardt & Prinz, 2012).

1.5 RESEARCH GAPS

Empirically, informal entrepreneurship represents a broad range of constructs and research domains with significant research possibilities (Shepherd, Williams & Patzelt, 2014; Williams, 2006; Williams & Nadin, 2014). Williams (2010), Williams and Nadin (2010), and Williams and Horodnic (2016) indicate the past studies on developed nations while research on informal entrepreneurship was performed in developing countries, such as India (Williams & Gurtoo, 2011), Africa (Adom & Williams, 2012), and Pakistan (Williams & Shahid, 2016). In this vein, various socio-cultural and institutional arrangements result in divergent literary perspectives.

In line with past studies, this research acknowledged a notable gap in the informal entrepreneurship literature. Based on Williams and Shahid (2016), evaluations of entrepreneurs' rationale for informational business operations remained scarce. Specifically, past research primarily emphasised the assessment of informal entrepreneurship size following Charmes (2012) and Schneider (2002). Williams and Nadin (2014, p. 35) denoted that "the issue of why entrepreneurs operate in the informal economy, until now, has not been empirically evaluated". Likewise, Tassin (2014) highlighted the paucity of exploratory research to determine the factors influencing entrepreneurs' retention in the informal economy. Based on the literature gaps, this research strived to examine the key determinants of entrepreneurs' engagement in informal entrepreneurship.

Williams and Nadin (2014) proposed the evaluation of entrepreneurs' informal business operations and consideration of appropriate policy measure adoptions towards formalisation. The recommendation significantly influenced the current research objectives to determine the factors influencing informal entrepreneurs' transition to the formal economy parallel to Olomi, Nchimbi and Utouh (2011) and Unni (2018). Perceivably, distinct factors motivated various entrepreneurs towards business transitions. The informal entrepreneurship transition to the formal economy is a relatively novel topic (ILO, 2015). Specifically, the R204 publication by ILO (2015) has garnered entrepreneurs', researchers', and policymakers' interest. Nevertheless, relevant studies on the transition remained lacking (Olomi, Nchimbi & Utouh, 2011). As such, this research aimed to bridge the existing gaps with a thorough examination. Following Williams and Nadin (2012), future studies should emphasise "how informal enterprises are to be brought into the formal economy." Although past studies, such as Franck (2012) and Tokman (2011) proposed several policies to validate informal entrepreneurship, no

study on transition effectiveness has been conducted to date. Hence, this research intended to provide insights into the most workable policies that influence entrepreneurs' transition to the formal economy. Summarily, the study research aimed to (i) determine the factors influencing entrepreneurs' engagement in the informal economy and transition from the informal to the formal economy in addressing the research gaps and other scholars' suggestions.

1.6 RESEARCH OBJECTIVES

The research objectives aimed to examine the factors influencing informal entrepreneurs' retention in the informal economy and the key determinants of entrepreneurs' transition from the informal to the formal economy.

1.7 RESEARCH QUESTIONS

The following research questions are presented to achieve the study objectives:

1. What are the factors influencing entrepreneurs to remain in the informal economy?
2. What are the factors influencing entrepreneurs to transition to the formal economy?

Specifically, this research aimed to examine both the internal and external factors influencing entrepreneurs' decisions to operate in informal and formal economies.

1.8 RESEARCH SCOPE

This study emphasised informal entrepreneurship, particularly the informal-to-formal economy transition. Notably, informal economic activities are legitimate from a social perspective as opposed to illegal activities involving drugs and prostitution (Hart, 1973; Sauka, Schneider & Williams, 2016). This research primarily aimed to determine the factors influencing entrepreneurs' operation in the informal economy and transition to the formal counterpart. The geographical scope was restricted to Sarawak. The interview data were gathered among two respondent groups. The first group encompassed entrepreneurs who owned and operated businesses in the informal economy while the second counterpart involved entrepreneurs who had successfully transitioned from the informal to the formal economy. Employees and unpaid family workers were omitted from data collection as such individuals did not engage in decision-making processes or business operations (Department of Statistics, 2018).

1.9 RESEARCH SIGNIFICANCE

This study intended to contribute significant knowledge to the body of literature on informal entrepreneurship and bridge the current research gaps by identifying the factors influencing informal entrepreneurs' operation in the informal economy and the key determinants of entrepreneurs' transition to the formal economy. This study also aimed to depict a more representative picture of the informal entrepreneurship phenomenon in Sarawak. Practically, this study presented significant contributions to the entrepreneurs in Sarawak by discussing the incentives and motivations derived from engaging in the formal economy. The findings could initiate and catalyse existing informal entrepreneurs' transition to the formal economy with relevant justifications. For example, entrepreneurs could gain social protection and access to economic and business growth during business transitions (Doorn, 2018; ILO, 2015b; Williams & Round, 2007).

The study findings could also provide useful insight for various policymakers in Sarawak. For example, policymakers could be informed of the reasons underlying entrepreneurs' retention in the informal economy or transition to the formal economy. The findings could guide policymakers to develop relevant policies that facilitate informal entrepreneurs' transition to the formal economy. In Marcadent (2018), the causes instigating informal entrepreneurship should be identified to significantly alleviate informality and informal employment: low social protection, employment rights, and optimal working conditions (ILO, 2015a; Unni, 2018; WIEGO, 2019). The government would also be able to mitigate the tax evasion issues originating from informal entrepreneurs (Abeberese & Chaurey, 2017; Assenova & Sorenson, 2017; Williams & Nadin, 2012).

On another note, the government could provide incentives that complement entrepreneurs' requirements in line with the study findings and ILO (2015b) initiatives to implement holistic policies on the formalisation of informal businesses. Based on Nixon (2017) and Olomi, Chares and Juma (2018), the informal entrepreneurship transition to the formal counterpart would establish an equitable and inclusive distribution of economic resources. Efforts to facilitate the transition would simultaneously catalyse the attainment of principal NEP 2030 objectives for a sustainable and inclusive economy.

1.10 THESIS STRUCTURE

This thesis encompasses five chapters. Chapter One presents the research overview, background, problem statement, gaps, objectives, questions, and significance. This study was performed in Sarawak to identify the factors influencing entrepreneurs' operation in the informal economy and the key determinants of entrepreneurs' transition to the formal counterpart. Chapter Two involves a comprehensive literature review of informal entrepreneurship studies, the underpinning theories and potential factors underlying entrepreneurs' engagement in the informal economy, and the catalysts motivating entrepreneurs' transition to the formal economy. This study adopted the push and pull motivation theory to justify the internal and external factors influencing entrepreneurs' operation in the informal sector or transition to the formal counterpart. This chapter concludes with a conceptual research framework.

Chapter Three presents the current methodology in this qualitative research. The chapter elaborates on data collection and analysis processes. In-depth and semi-structured interviews were employed for data collection and thematically analysed with the NVivo 12 software. Prospective informal entrepreneurs were selected through purposive sampling while entrepreneurs who had already transitioned to formal entrepreneurship in Sarawak were chosen with snowball sampling. Research rigour and ethics were also justified in this chapter. Chapter Four elaborates on the research findings based on the identified themes and sub-themes. Notably, the findings were discussed parallel to literary and theoretical underpinnings. Chapter Five summarises the current study with overall research discussions and implications, study limitations, and recommendations for future research.

1.11 CHAPTER SUMMARY

This chapter introduced the current study that aimed to identify the factors influencing entrepreneurs' operation in the informal economy and transition to the formal counterpart. Notably, this study offered substantial knowledge of informal and formal entrepreneurship. The informal entrepreneurship transition to the formal economy proved significant in resolving informal entrepreneurship concerns, attaining digital economy strategies, and implementing NEP for inclusive economic developments. The following chapter would review relevant literature and justify the theories underlying the conceptual framework development.

CHAPTER TWO: LITERATURE REVIEW

2.1 CHAPTER OVERVIEW

This chapter reviews the literature relevant to this research with a brief overview of informal entrepreneurship and the transition process. The chapter also justifies the utilisation of push and pull theories as theoretical underpinnings and presents the conceptual framework.

2.2 INFORMAL ECONOMY

The 'informal sector' concept originated in the early 1970s with Hart's (1973) introduction of informal income opportunities in Ghana. Following ILO (1972), informal activities are associated with employment in Kenya. The global recognition and magnitude of the informal sector in 2002 highlighted a significant movement in informality by switching the terminology from 'informal sector' to 'informal economy' (Baicu & Corbu, 2016). Past research identified the businesses operating in the informal economy as unregistered companies that market counterfeit products against labour laws (Al-Mataani, Wainwright & Demirel, 2017; Webb et al., 2013; Williams & Baric, 2014). The informal economy has also been described as off-the-books, undeclared, shadow, cash-in-hand, or hidden economy (Al-Mataani, Wainwright & Demirel, 2017).

Based on Hart (1973), the informal economy concept elaborates on the well-organised economic activities that occur against legal enforcement. As a currently widespread phenomenon (Welter, Smallbone & Pobol, 2015; Williams & Baric, 2014; Williams & Nadin, 2010), the concept has been adopted by economists for a sound understanding of the informal economy and the catalysation of developing economies (Webb et al. 2013). Webb et al. (2009) and Webb et al. (2013) denoted the informal economy as specific economic activities outside legal regulations (illegal albeit with social acceptance) and within informal institutional boundaries (legitimate). In other words, informal economic activities are technically illegal in formal institutions albeit with a high social acknowledgement (Webb et al. 2013). Ponsaers, Shapland and Williams (2008) distinguished informal economies from criminal counterparts (prostitution and drug trafficking). On another note, the informal economy implies socially legitimate activities that are legal in all aspects other than non-disclosure to tax authorities and non-compliance with social security or labour laws (European Commission, 2007; Webb et al., 2009; Williams, 2014). Locally, the informal economy involves enterprises that are unregistered with SSM or other professional bodies, including LA with at least one of the goods and services produced for sale or barter transactions. Such enterprises employ 10 workers

or less without social security coverage. Generally, the informal sector denotes the economic activities of workers and entities which are not legalised with formal arrangements (Department of Statistics, 2016).

Regarding the two theoretical approaches underpinning the current knowledge of informal entrepreneurship (Xheneti, Madden & Karki, 2019), the first approach involves the marginalisation or structural theory that depicts individuals' involvement in the informal economy for survival following incongruencies in the world economy, demands for flexibility, and profit maximisation through sub-contracting (Rafliis, Omar & Ishak, 2016; Williams & Gurtoo, 2012; Williams & Nadin, 2012). In Williams (2007b), structural theory proponents assume informal economy entrepreneurs to be individuals with financial necessities who are marginalised from the formal economy. Thus, informal economy engagement is perceived as the last resort with no alternative strategies (De Soto, 1989; Maloney, 2004). Based on the second approach or neo-liberal theory, informal entrepreneurship is observed as a conscious choice rather than a means of survival (De Beer, Fu & Wunsch, 2013; Rafliis, Omar & Ishak, 2016; Williams & Gurtoo, 2012). The theory proponents consider informality to originate from dysfunctional institutions and over-regulations. Specifically, entrepreneurs voluntarily participate in the informal economy to avoid cost, time, bureaucracies, and the complex efforts required in formal registration processes (Xheneti, Madden & Karki, 2019; Williams & Youssef, 2014b).

2.3 FORMAL ECONOMY

Contrary to the informal economy, the formal counterpart is legal from formal institutional perspectives and legitimate from informal institutional viewpoints (Webb et al., 2013). The informal economy encompasses economic activities outside formal institutional boundaries without 'anti-social' elements (De Soto, 1989, p. 11), thus largely retaining social acceptance.

In this study, the formal economy denotes legalised formal institutions (Kasim & Jayasooria, 2001) or sectors that encompass jobs with normal working hours and fixed wages (ILO, 2007). The formal economy recognises business transactions and work as taxable income sources. Contrarily, the informal economy implies informal business activities that are unregistered with public authorities (Adom, 2016a; Williams, 2005). The formal economy involves enforcement agencies, regulatory bodies, and policymakers (Sutter et al., 2017). Such authorities are accountable for designing, establishing, reviewing, evaluating, and implementing laws and regulations that legalise the formal economy. The laws function as a guideline for entrepreneurs' adherence during business

establishments and operations in the formal economy. The violation of rules and regulations may result in penalties based on the defined rules (Floridi & Wagner, 2016; Ozdemir & Tansel, 2015).

Rules and regulations benefit each party in the formal economy. For example, individuals engaging in the formal economy are legally protected during business transactions (Assenova & Sorenson, 2017; Doorn, 2018; Abeberese & Chaurey, 2017). Likewise, workers are safeguarded with specific working hours, fixed wages (ILO, 2017), and compensations in the event of workplace incidents.

2.4 INFORMAL ENTREPRENEURSHIP

Based on the informal economy definition, the entrepreneurs operating in informal entrepreneurship are known as informal entrepreneurs (owners or managers) with active engagement in establishing a business. Informal economy activities are legitimate in all aspects except for the fact that their businesses are unregistered or hidden from tax authorities (OECD, 2002; Sauka, Schneider & Williams, 2016; Siqueira, Webb & Bruton, 2016). Entrepreneurial characteristics significantly ensure the success of informal entrepreneurs' businesses (Adom & Williams, 2012; Keling & Entebang, 2017; Setareh, Mohammadreza & Ahmadreza, 2018). Demographic characteristics, such as age, gender, education background, and working experience potentially influence entrepreneurs' operation in the informal sector (Hartati et al., 2015; Williams & Shahid, 2016).

Different individual attributes (personality traits, entrepreneurial orientation, and entrepreneurs' self-efficacy) encourage informal entrepreneurs to operate in the informal economy following Fisher, Martiz and Lobo (2014) and Islam et al. (2011). For example, individual autonomy and a positive mindset encompass some of the internal thoughts that motivate informal entrepreneurs to engage in the informal economy (Hartati et al., 2015; Williams & Gurtoo, 2011). This research associated entrepreneurs' characteristics with the internal motivations underlying informal economy operations (discussed in the following sections).

Informal entrepreneurship represents a global attribute of entrepreneurial activity (Welter, Smallbone & Pobol, 2015). Following past studies, the existence of informal enterprises in most developing countries is relatively common (Hallam & Zanella, 2017; Pratap & Quintin, 2006). The advent of market stalls, street vendors, casual trading enterprises, and employees' engagement in informality is socially common in developing nations (Raflis, Omar & Ishak, 2016; Suhaimi et al., 2016). Informal entrepreneurship has rapidly grown over the decades (Santos & Ferreira, 2017;

Schneider & Buehn, 2013; Williams, 2011). In Schneider (2002), the primary catalysts for the informal economy size and growth could be associated with high tax and social security payments and state regulatory activities.

2.5 SIGNIFICANCE OF INFORMAL ENTREPRENEURSHIP

Informal entrepreneurship is significant towards financial advancement (Blades, Ferreira & Lugo, 2011; Charmes, 2012). Past research identified the two primary informal entrepreneurship contributions to national economies: notable GDP outcomes and informal employment opportunities (Duarte, 2014; Bureau & Fendt, 2011; Williams & Windebank, 2000). Schneider (2002) estimated informal economy activities to account for approximately 10 to 20% of GDP in developed economies and 60% in developing counterparts. Based on Charmes (2012), Sub-saharan Africa reported the highest informal economy contribution to the GDP (62.6%), followed by India (54.2%), and Central and Eastern Europe (19.5%). Webb et al. (2013) stated that such activities occur within informal institutional boundaries (social norms, values, and beliefs) and outside formal counterparts (rules and regulations).

Informal entrepreneurship activities are perceivably detrimental to capitalist economic activities or financial development (Williams, Martinez–Perez & Kedir, 2017). Such activities denote productive endeavours that alleviate poverty following limited employment possibilities (Gunhidzirai & Tanga, 2017). In ILO (2018), informal economy activities employ most individuals in developing nations. In line with past literature, informal entrepreneurship elevates work opportunities as the primary source of informal employment in developing nations (Blades, Ferreira & Lugo, 2011; Williams & Windebank, 2000).

Based on ILO (2018), approximately two billion (61.2%) of the working population worldwide were employed in the informal economy. Additionally, developing countries reflect higher informality shares compared to developed counterparts. Developing countries demonstrate over two-thirds of the employed population (69.6%) in the informal economy while under one-fifth (18.3%) of the employed population originate from developed nations. Africa reflects the majority of informal employment (approximately 85.8%), followed by Asia and the Pacific (68.2%), Saudi Arabia (68.26%), Americas (40%), Europe (25.1%), and Central Asia (25.1%) (ILO, 2018). Informal entrepreneurship significantly influences the creation of employment opportunities, specifically in developing countries. Likewise, Berman (2018) and Weng (2015) explained that developing countries encompass more

informal entrepreneurs than developed counterparts based on a larger rural population that primarily depend on informal agricultural activities for financial sustenance.

2.6 INFORMAL ENTREPRENEURSHIP IN MALAYSIA

As one of the developing countries with a high number of informal businesses (Raflis, Omar & Ishak, 2016; Suhaimi et al., 2016), such activities in Malaysia are recognised by society and relevant authorities (Baharudin et al., 2011). The Department of Statistics (2016) characterised informal entrepreneurs and their businesses as entities with at least one product or service for sales or barter-based transactions that are unregistered with SSM or LA and employ under 10 employees without protection from labour laws, social security regulations, and collective agreement. On average, the Malaysian informal economy size reflects 31.1% of the official GDP. The percentage is larger than the average 26% for developing Asian countries between 1999 and 2000 (Schneider, 2002).

Based on the National Informal Sector Workforce Survey Report 2017 (Department of Statistics, 2017), the local informal sector encompassed a significant number of employees. In 2017, 10.6% of non-agricultural employment was derived from the informal economy. The number of informal sector employees reflected 1.36 million or 9.4% of the total local employment. The 2017 workforce survey details are categorised as follows:

- (i) by strata: urban area encompassed 82.1% (1.12 million) of the informal employment with an annual growth rate of 5.1%. Regardless, 17.9% (244 thousand) of the informal employment originating from rural areas decreased by 23.6% annually compared to 391.2 thousand employment in 2015.
- (ii) by industry: the proportion of informal economy employment was the highest in the service industry (62.1%), followed by construction (20%), and manufacturing (17.2%).
- (iii) by employment status: independent workers dominated the informal economy employment with a contribution of 69.4%.

Contrarily, rural areas did not record increased informal entrepreneurship and employment following past literature (Tellegen, 1997; Wan Ahmad, Rahman & Ismail, 2011; Williams, 2011) and rural people's migration to urban areas. Williams (2011) affirmed that the inability of rural communities to seek employment in urban areas induced informal business establishments in urban locations.

Based on the report, informal entrepreneurship activities encompassed all business industries, such as services, construction, and manufacturing (Department of Statistics, 2017). Suhaimi et al. (2018) attributed the distribution to the convenience of establishing service sector businesses. Meanwhile, construction and manufacturing counterparts reflect relatively low informality due to compliance with various regulations (Wells, 2007). The report also depicted that most independent workers in the informal economy (Department of Statistics, 2017) were known as self-employed individuals or informal entrepreneurs.

2.7 TRANSITION FROM THE INFORMAL TO THE FORMAL ECONOMY

The informal entrepreneurship transition to the formal economy was initially recommended and adopted by ILO (2015) during the 2015 International Labour Conference. The *Transition From The Informal To The Formal Economy Recommendation, 2015 (R204)* was subsequently published to define a broader and more detailed transition scope for all workers and economic units, including enterprises and informal economy entrepreneurs (ILO, 2015).

The ILO (2015) implemented R204 with integrated strategies and policies and institutional coordination for employment and income opportunities and the social rights and protection of communities engaged in the formal economy. Although this study complemented R204 in examining the informal entrepreneurship transition to the formal economy, R204 could pose complications during nationwide implementation. Specifically, integrated strategies and policies might be inappropriate across different nations following distinct cultural values and practices. The effectiveness of policy implementations remains unknown due to the novelty of R204.

The R204 merely outlines the transition procedures to the formal economy without justifications. Following Adom (2016b), it is deemed challenging to implement such recommendations if policymakers blindly comply with guidelines without knowledge of implementation objectives and rationale. In this vein, the following section would present the need for informal entrepreneurship transition to the formal economy.

2.8 THE NEED FOR TRANSITION

The informal entrepreneurship transition to the formal economy is imperative from policymakers' and governmental perspectives (Gërkhani, 2004) for improved national economies (Rosli & Hwa, 2012;

Nixon, 2017), such as financial contributions through firm registrations and tax payments. Gërkhani (2004) also indicated that informal entrepreneurs who register their businesses optimise the circular income flow within the country. Moreover, such contributions are reflected in official statistics for minimal distortions during national account assessments (Duarte, 2014; Mohamed, 2012).

The informal entrepreneurship transition to the formal economy resolves tax avoidance issues (Ching 2013). Entrepreneurs are required to declare business transactions and income taxes post-business registration (Malaysia Inland Revenue Board, 2018). For example, business name registrations with local authorities would limit tax avoidance issues and enable the identification of tax-evading businesses (Malaysia Inland Revenue Board, 2018; Mohamed, 2012). High government tax revenues potentially improve the provision of social services and economic development funding (Pickhardt & Prinz, 2012; Sandmo, 2012).

Business transitions from the informal to the formal economy is also crucial from entrepreneurs' perspectives (Ozdemir & Tansel, 2015) for business growth (Woodward et al., 2011). Following Williams and Vorley (2014), entrepreneurs could gain access to formal economy resources for business development, legal financial institutions (banks), and financing requirements (Farazi, 2013). As banks finance formal businesses compared to informal counterparts, such institutions require sustained accounting records and business process transparency to alleviate the default risks on advanced loans (International Finance Corporation, 2013). In this regard, entrepreneurs could successfully expand their businesses.

2.9 PUSH AND PULL MOTIVATION THEORY

This research incorporated the push and pull motivation theory into the theoretical framework to explain the motivating factors influencing entrepreneurs' operation in the informal economy and transition the formal economy from the informal counterpart. The push and pull theory denotes one of the motivation theories in entrepreneurship research (Amit & Muller, 1995; Kirkwood, 2009). For example, Herron and Sapienza (1992, p. 49) stated that "motivation plays an important part in the creation of new organisations". In other words, motivation determines personal behaviour, action, willingness, and goals that encourage people to work in specific ways for goal attainment (Maslow, 1943; McClelland, 1987). In Amit and Muller (1995), people tended to behave in particular ways following the motivation to select a specific behaviour over another. Essentially, the motivation under behavioural selection is determined by outcome desirability (Kumi & Mensah, 2017; Maslow, 1943).

The topic of motivation in entrepreneurship literature has evolved from content-oriented theories to process-oriented counterparts over the decades. Content theories emphasise ‘what’ motivates an entrepreneur while process theories focus on ‘how’ motivation occurs. Content theories (Maslow’s needs hierarchy, Alderfer’s ERG theory, and McClelland’s achievement theory) should be primarily regarded in line with the current research questions: “What are the internal and external factors influencing entrepreneurs to operate in the informal economy?” and “What are the internal and external factors influencing entrepreneurs to transition to the formal economy?”. The aforementioned theories are extensively utilised in informal entrepreneurship studies parallel to Adele et al. (2015) and Adebajji et al. (2017).

2.9.1 MASLOW’S NEEDS HIERARCHY

Maslow (1943) stated that the motivation concept originates from the term ‘motive’ or a need that requires satisfaction. Abraham Maslow (1943) developed a hierarchy of needs that explains individuals’ sources of motivation: psychological, safety, belongingness and affection, esteem, and self-actualisation needs. Psychological needs imply basic requirements involving food, water, and shelter. Safety needs encompass secure income sources, freedom from war, and workplace safety. Belongingness and affection needs originate from family and friends while esteem counterparts involve self-esteem, confidence, and respect from others. Self-actualisation denotes entrepreneurs’ potential and subsequent realisation of the potential (Buttner & Moore, 1997, Maslow, 1943).

Regarding the research aim, Maslow’s needs hierarchy essentially justifies informal entrepreneurs’ motivation to initiate informal businesses (Adebajji et al., 2017). Gurtoo and Williams (2009) also conceded that entrepreneurs’ basic motives should be recognised for a sound understanding of entrepreneurial behaviour. For example, entrepreneurs engage in informal entrepreneurship to fulfil the following needs: physiological, safety, affection and belongingness, esteem, and self-actualisation.

2.9.2 ALDERFER’S ERG THEORY

Parallel to Maslow, Alderfer (1969) asserted that unsatisfied needs significantly motivate individuals with three need classifications (existence, relatedness, and growth) following Maslow’s needs hierarchy. Existence involves physiological and safety needs, relatedness encompasses belongingness and esteem needs, while growth resembles self-actualisation. Existence includes basic necessities, relatedness strives towards family members’, friends’ and public recognition, whereas growth needs denote self-development (Alderfer, 1969).

Based on past studies, informal entrepreneurship provides informal entrepreneurs with income sources for survival (physiological and safety needs) (Buttner & Moore, 1997; Gurtoo & Williams, 2009; Kumi & Mensah, 2017). Informal entrepreneurs are motivated by family and friends through family backgrounds or peer influences to operate in informal businesses (Choukir & Hentati, 2013; Karki & Xheneti, 2018) and shift to the formal economy (Mehtap, Ozmenekse & Caputo, 2019; Williams, Shahid & Martínez, 2016). For example, some entrepreneurs' esteem-oriented needs lead to engagement in informal entrepreneurship while others shift to the formal economy due to high esteem towards formality (Cross, 2000). Lastly, some informal entrepreneurs establish businesses to discover their self-actualisation potentials, whereas others shift to the formal economy as their capabilities could not be fully exerted in the informal economy (Krems, Kenrick & Neel, 2017).

2.9.3 MC CLELLAND'S MOTIVATION THEORY

McClelland's theory emphasises needs creation and development as opposed to Maslow's and Alderfer's theories on existing needs satisfaction. McClelland and Steward (1982) claimed that humans demonstrate three motivating drivers: achievement, affiliation, and power. Achievement reflects competence and goal accomplishment while affiliation is associated with love, belongingness, and relatedness. Power-based needs denote the ability to control personal or external work. Doorn (2018) and Woodward et al. (2011) stated that the motivators depend on individuals' culture and life experiences. For example, informal entrepreneurs who are geared towards business growth would shift to the formal economy for wider market access. Affiliation potentially influences entrepreneurs' choice of informality or formality based on the willingness to belong within a social group.

2.10 INTERNAL MOTIVATION AND EXTERNAL MOTIVATION

McClelland's achievement theory proposed that need is influenced by personal competence or internal drivers for action (intrinsic motivation) and external goal attainment (extrinsic motivation). Other researchers also concurred with the internal-external motivation concept that depicts internal desires and the external events which inspire behaviours (Hartati et al., 2015; Ryan & Deci, 2000; Willima & Gurtoo, 2011). As such, motivation theories are divided into two types: intrinsic and extrinsic motivation (Grybniak, 2017).

2.10.1 EXTERNAL MOTIVATION

Concerning external motivation, individual behaviours are primarily motivated by external source incentives. In the extrinsic motivation theory (also known as incentive or pull theory) (Amit & Muller, 1995; Dawson & Henley, 2012), individuals are motivated to perform rewarding activities. Rewards could also be perceived as a goal type that ‘pulls’ people towards attainment (Killeen, 1982). In this vein, extrinsic motivation goes beyond rewards as individuals could be extrinsically motivated to avoid specific adverse outcomes: punishment, penalties, and emotional comments (Floridi & Wagner, 2016; Ozdemir & Tansel, 2015).

2.10.2 INTERNAL MOTIVATION

Ryan and Deci (2000) defined intrinsic motivation as an individual’s self-desire to seek novel challenges or entities and analyse personal capabilities. Intrinsic motivation implies people’s interest in or enjoyment of task completion. Intrinsic motivation (drive or push theory) also denotes inherently satisfying activity engagement (Legault, 2016). Hunger, fear, beliefs of self-efficacy, and the desire to gain knowledge are some examples of intrinsic motivation.

The current study objectives incorporated motivation theories to address the research questions following extensive and decades-long research. As Franck (2012) asserted that informal entrepreneurs are not a homogenous group, entrepreneurs are motivated to access a similar economy for significant business performance. Past scholars adopted motivation theories to address ‘why entrepreneurs act based on specific needs and goals (Adele et al., 2015). Previous research on entrepreneurship (specifically informal entrepreneurship) indicated several internal and external factors that influence entrepreneurs’ decision to operate in the informal economy (Adele et al., 2015; Kumi & Mensah, 2017, Williams, 2011). Contrarily, several studies on entrepreneurs’ transition behaviours and relevant articles, news, and policies may suggest the internal and external reasons underlying informal entrepreneurs’ transition to formal entrepreneurship (Assenova & Sorenson, 2017; Bruhn & McKenzie, 2013; Floridi & Wagner, 2016).

2.11 INTERNAL FACTORS TO OPERATE IN THE INFORMAL ECONOMY

Individuals engage in the informal economy for various reasons. Based on past studies, entrepreneurs’ characteristics impact their decision to operate in the informal economy (Mohd Suhaimi et al., 2016;

Williams, Shahid & Martínez, 2016). Likewise, this research perceived entrepreneurs' attributes as the internal factors encouraging informal entrepreneurs. Williams and Horodnic (2016) utilised tax morale (entrepreneurs' intrinsic motivation to pay taxes) to justify entrepreneurs' involvement in the informal economy (James & Jorge, 2019). Williams and Horodnic (2016) revealed that entrepreneurs with high tax morale are less prone to operate in informal entrepreneurship and vice versa. The finding corresponds to Williams and Shahid (2016), Abiola et al. (2017), and Suhaimi et al. (2016) where informal entrepreneurs reflect low tax morality and high reluctance to pay taxes in Pakistan, Nigeria, and Malaysia.

Past research also examined the participation motives within the informal economy based on the necessity-opportunity dichotomy (Djafar, Garba & Mansor, 2013; Giacomini et al., 2011; Kandasivam, 2018). Necessity-driven entrepreneurs are compelled to engage in informal entrepreneurship due to the absence or dissatisfaction of other work alternatives (Williams, 2008) following Williams, Shahid and Martínez (2016) in Pakistan and Kumi and Mensah (2017) in India. In Oxenfeldt (1943), unemployed individuals are forced to become self-employed entrepreneurs for survival. The research conceded that necessity-driven entrepreneurs operate in the informal economy following their desire to survive with income from informal trading. As such, the inability to be employed in the formal economy instigates entrepreneurs' engagement in the informal economy (Tellegen, 1997).

Webb et al. (2009) suggested entrepreneurs' low confidence level in the formal economy to be one of the reasons underlying their engagement in the informal counterpart. Economies that are rife with corruption and socio-political incongruencies establish high ambiguities involving formal institutional competence (Fuentelsaz, González & Maicas, 2019; Pejovich, 1999). Distrust in such institutions causes entrepreneurs to avoid the formal economy and remain in the informal counterpart. In line with Ouédraogo (2017), corruption and bribery in the formal economy could undermine individuals' confidence and trust in government bodies and elevate perceived opportunities in the informal economy.

Henning and Akoob's (2017) interview of women entrepreneurs in rural villages revealed that the women engaged in informal entrepreneurship for higher income. Regrettably, women's lower social status in developing countries cause difficulties in seeking high-salaried employment (Williams & Gurtoo, 2011). Thus, such individuals are compelled to participate in the informal economy for higher income. Khan and Khan (2009) also explained that women choose to establish their own businesses for high household incomes and life qualities among family members. Other individuals

also operate in the informal economy apart from women entrepreneurs for financial gains. The statement corresponded to Meier and Rauch (2005) where individuals' greed to earn more money leads to additional income opportunities in the informal context.

Some entrepreneurs choose to operate in the informal economy as informality is perceived to demonstrate positive rather than negative impacts (Neill, Lynn & Jonathan, 2017; Williams & Nadin, 2012). In Williams (2007a), entrepreneurs operate in the informal economy for specific advantages: economic benefits, legitimate social status, and flexibility in informal operations. Williams and Nadin (2014) further asserted that informal entrepreneurs do not observe the adverse outcomes of their activities due to the prevalence of informal entrepreneurship.

2.12 EXTERNAL FACTORS TO OPERATE IN THE INFORMAL ECONOMY

Following past studies, entrepreneurs are impacted by external stimuli (people, surroundings, and cultures) in operating within the informal economy (Chepurenko, 2018; Kiggundu & Pal, 2018). In OECD (2007), the barriers to operate formal businesses also externally influence entrepreneurs' retention in the informal economy. As opposed to necessity-driven entrepreneurs who are compelled to engage in informal entrepreneurship for survival, opportunity-driven counterparts denote well-off individuals who operate in the informal economy to exploit business opportunities under informality (Giacomin et al., 2011; Kandasivam, 2018; Williams, 2008). Following Bögenhold and Staber (1991) and Djafar, Garba and Mansor (2013), opportunity-driven entrepreneurs are left with no alternatives and continue operating in the informal economy to manipulate as many opportunities as possible (Kuckertz et al., 2017). De Beer, Fu and Wunsch (2013) also affirmed that the demand for low-cost goods and services in the informal economy provides ample fulfilment opportunities.

Human resources imply one of the external factors influencing entrepreneurs' continued operation in the informal economy (Davies & Thurlow, 2009). As excess human resources within the formal labour market instigate unemployment, such individuals tend to seek informal labour markets (Davies & Thurlow, 2009; ILO, 2002). Some entrepreneurs choose to employ informal labour due to low job requirements, such as minimal wages (Jolly, 1973). Moreover, Ram et al. (2017) conceded that entrepreneurs remain in the informal economy as their workers are not registered with the labour organisation. Notably, entrepreneurs are also reluctant to register on behalf of the workers. As informal labourers' skills resemble formal labourers albeit with lower wages (Leonard, 1998), Kumi-Kyereme (2012) asserted that entrepreneurs who save business operation costs, such as human resource expenditure further engage in the informal economy.

Regarding low business operation costs, economic motivation is one of the external factors influencing entrepreneurs' operation in the informal economy (Adele et al., 2015; Ren, 2012). In Shapland and Heyes (2017), formal entrepreneurship (business ventures in the formal economy) incurs higher expenses due to legal compliance and tax payments. Thus, it is deemed more efficient and beneficial to operate informally as the benefits (social security and infrastructural investments) are lesser than the costs incurred, such as taxes, policy, and regulatory constraints (Webb et al., 2013). As such, this research perceived that entrepreneurs operate in the informal economy when the financial gains are higher in informal entrepreneurship.

Formal rules and regulations also externally influence entrepreneurs' engagement in the informal economy. Informal entrepreneurs prefer informal entrepreneurship to avoid legal adherence, such as tax payment and labour laws (OECD, 2002; Williams & Nadin, 2012; Williams, Martinez-Perez & Kedir, 2017). The assertion is extensively discussed in Torgler and Schneider (2009), Shapland and Heyes (2017), and Williams, Horodnic and Windebank (2015). Some entrepreneurs are reluctant to comply with codified laws and subsequently operate in the less-regulated informal economy. For example, exorbitant business registration fees and complicated registration processes discourage entrepreneurs from initiating formal ventures, thus retaining informality (Webb et al., 2013).

The incongruence of formal-informal economies impacts entrepreneurs' decision to select informality (Webb et al., 2013). From an institutional perspective, (i) the degree of bureaucracy in institutional settings, (ii) social acceptability within informal economic activities, and (iii) enforcement in formal institutions, (iv) the stringent and radical changes of policies, (v) ambiguous jurisdictions, and (vi) conflicting interests across institutional centres potentially encourage informal economy participation (Webb et al., 2013). Bureau and Fendt (2011) denoted that such scenarios cause entrepreneurs' reliance on the current norms, values, and beliefs in the informal economy. Additionally, Williams and Shahid (2016) demonstrated that a high degree of incongruence between formal and informal institutions results in increased informal business establishments.

Social considerations 'pull' entrepreneurs to be a part of informal entrepreneurship in line with individuals' living environments (Prelicean, Bucaciuc & Baicu, 2016). A society that emphasises social situational factors would motivate entrepreneurs to act outside codified laws (Webb et al., 2009). Some entrepreneurs operate in informal entrepreneurship following informal hawkers' social practices in neighbourhoods. Similarly, Raflis, Omar and Ishak (2016) asserted that entrepreneurs would imitate other community members. Under social considerations, Chepurenko (2018) also highlighted that

family relationships impact family-oriented entrepreneurs' engagement within the informal economy in mirroring what their family members used to be.

2.13 INTERNAL FACTORS TO TRANSITION FROM INFORMAL INTO FORMAL ECONOMY

Based on Williams (2005), informal entrepreneurship management remains lacking due to the paucity of research on informal entrepreneurship transition to the formal economy (Adom, 2016a; ILO, 2007). Nonetheless, this research presented a review of the factors influencing informal entrepreneurs' transition to a formal economy following past studies, proposed implications, and published policies.

Entrepreneurs prefer transitioning from informal to formal economies following their desires to acquire formal resources (Onyima & Nkechi, 2017). In Barbosa, Pulido and Ayala (2019), informal economy resources are limited compared to the formal economy following Farrell (2004) where informal entrepreneurship struggle to find customers and skilful labour in the informal economy. Likewise, Thai and Turkina (2013) asserted that informal economy labourers or workers are less capable of seeking employment following inadequate skills and expertise. Following Wafa, Mohamed and Bouteldja. A (2015), customers hesitate to purchase informal goods and services as such outputs are viewed to be counterfeits or sub-standard products. The desire for economic growth also compel entrepreneurs to shift their businesses to the formal economy (Tassin, 2014). Such individuals are prepared to strive towards business transitions (Dzansi & Tassin, 2014). Business advancements occur with increased resources in the formal economy (Wafa, Mohamed & Bouteldja. A, 2015). Consequently, entrepreneurs could register and promote their businesses to attract more customers and facilitate expansion plans. Concerning formal business, the individuals could also employ more skilful labourers for high production and growth (Farrell, 2004).

Williams (2006) asserted that entrepreneurs do not perceive informal businesses as 'real' counterparts and shift to formal entrepreneurship. Additionally, Williams (2006) stated that novice informal entrepreneurs implement autonomous informality as a stepping stone for business ventures. Thus, informal entrepreneurship represents an essential platform for novel enterprise creation and development (Evans, Syrett & Williams, 2006). Reynolds (2007) indicated that some entrepreneurs access informality to experiment with business operations pre-business formalisation. Williams (2011) also conceded that some informal entrepreneurs intend to establish business foundations (customer bases) before transitioning to the formal economy. In ILO (2002, p. 54), the informal economy

represents “an incubator for business potential and transitional base for accessibility and graduation to the formal economy.”

Informal entrepreneurs who are concerned about local enforcement would perform voluntary business transition to the formal economy. Following past studies, informal entrepreneurs should be conscious of the adverse impacts involving informal operations and stringent enforcement rules (ILO, 2015b; Williams, Horodnic & Windebank, 2015). Based on the Malaysia Registration of Business Act (1956), unregistered entrepreneurs involved in monetary transaction businesses could be penalised up to a maximum of RM50, 000, jailed up to two years, or both. Consequently, enforcement and penalty-conscious informal entrepreneurs tend to shift to formal entrepreneurship.

In the *Women in Informal Employment: Globalising and Organising* or WIEGO (2019), entrepreneurs should protect themselves and their businesses by transitioning from informal to formal economies. This research associated the meaning of protection, which could be divergently interpreted, with security under formal regulations. Morris and Polese (2014) posited that entrepreneurs could self-protect against legal disputes by complying with codified laws as a formal enterprise. The WIEGO (2019) also mentioned that entrepreneurs should register and declare business activities to secure product or business rights. Informal entrepreneurs could not protect their rights without adherence to public authorities following the high risk of corruption and threats from ruffians (Sharma & Biswas, 2018). Thus, entrepreneurs who intend to securely operate businesses should transition from the informal economy to the formal counterpart.

Informal entrepreneurs who intend to initiate formal enterprises prefer to shift their businesses from informal to formal economies (Khoury, Farraj & Sultan, 2018). Notably, entrepreneurs denote individuals who consistently strive to accomplish specific tasks (Keister, 2005; Macko & Tyszka, 2009). Informal entrepreneurs who operate in the informal economy and are familiar with informal trading environments may find the formal economy to be challenging (Brown & McGranahan, 2016). This research aimed to examine the desire to challenge entrepreneurs’ risk-taking propensity. Such tendencies induce the motivation to challenge formal entrepreneurship and transition to the formal economy (Fairchild, 2011). Al Mamun et al. (2016) asserted that informal entrepreneurs who transition to the formal economy encounter high-risk propensity in overcoming transition process barriers and operational ambiguities within the formal economy.

This section reviewed the push factors influencing informal entrepreneurs’ transition into the formal economy. Entrepreneurs strived towards formal economy participation to accomplish such internal desires. Influences from external stimuli would also be reviewed in the following section.

2.14 EXTERNAL FACTORS TO TRANSITION FROM INFORMAL INTO FORMAL ECONOMY

Past studies recommended several extrinsic implications in encouraging entrepreneurs' transition from informal to formal economies. Given the complexities in process completion (Leino 2009), external elements facilitate entrepreneurs' transition to the formal economy. First, entrepreneurs are motivated to shift from the informal economy to the formal counterpart due to formal rules and regulations (ILO, 2015). Past research recommended several policies on informality management (Dibben, Wood & Williams, 2015; Shehryar & Williams, 2013; Williams, 2005). For example, Ching (2013) stated that strict tax penalties serve to catalyse informal entrepreneurs' shift to the formal economy and tax payments. Similarly, current studies on tax and the informal economy following Joshi, Prichard and Heady (2013) and Torgler and Schneider (2009) suggested the implementation of tax policies and penalties to encourage entrepreneurs' transition towards the formal economy and mitigate tax avoidance issues from informal entrepreneurship. Based on Potsiou (2014), appropriate legislative and regulatory frameworks are essential to actualise informal entrepreneurs' transition to the formal economy. Despite specific regulations to manage informal entrepreneurship, the laws are not practically enforced (Murphy, 2008).

Family and friends denote one of the external factors influencing entrepreneurs' transition to the formal economy (Choukir & Hentati, 2013). In Xheneti, Madden and Karki (2017), advice from family members and friends is vital to facilitate entrepreneurs' transition to the formal economy. Likewise, Hillenkamp, Lapeyre and Lemaître (2013) asserted that entrepreneurs' family commitment (high-quality life) induces business formalisation and expansion within the formal economy. Karki and Xheneti (2018) also posited that familial and peer support towards such transitions are significant. For example, family and friends provide capital for entrepreneurs' business establishment in the formal economy (Williams, Shahid & Martínez, 2016).

Williams (2014) recommended that governmental incentives accelerate entrepreneurs' transition to the formal economy in line with Sutter et al. (2017) where such rewards catalyse informal entrepreneurs' transition to the formal economy. In Sutter et al.'s (2017) findings, governmental incentives function as intermediaries to bridge the informal-formal institution gaps and disseminate knowledge and support for informal entrepreneurs' access to the formal economy. Specifically, inadequate funding and financing support often deter informal entrepreneurs from business

advancement (Tassin, 2014). Government incentives, including startup funds for informal entrepreneurs would foster their transition to the formal economy (ILO, 2018).

The external resources existing in the formal economy ‘pulls’ entrepreneurs’ interest to transition towards formal business platforms (Farazi, 2013; Olomi, Charles & Juma 2018). In other words, entrepreneurs access the formal economy for legalised resources. Resource allocations between informal and formal economies are inequitable with larger resource proportions being allocated to the latter (Barbosa, Pulido & Ayala, 2019; Farrell, 2004). Wafa, Mohamed and Bouteldja (2015) mentioned that entrepreneurs’ transition to the formal economy is facilitated by existing optimal resources for business growth. Bruhn and McKenzie (2014), Tassin (2014), and Williams and Windebank (2000) conceded that entrepreneurs are ‘pulled’ by specific resources in the formal economy: formal financial services, production machines, premises, and human resources.

Following Sutter et al. (2017), an institutional intermediary is significant in aiding informal entrepreneurs’ transition to the formal economy. Sutter et al. (2017) also stated that institutional intermediaries intend to break the institutional barriers between informal and formal economies. Institutional intermediaries may function as an agent that connects informal entrepreneurs to the formal economy by enabling informal entrepreneurs to sell their products to the formal market, providing business registration services, and offering consultations on formal enterprise operations (Sutter et al., 2017).

Bribery and corruption in the informal economy impact entrepreneurs’ transition to the formal economy (Webb et al., 2013; Thai & Turkina, 2013). Rasanayagam (2011) conceded that entrepreneurs avoid the informal economy to prevent bribery and corruption. Bribery concerns payments to ruffians and under-table transactions for outsourcing purposes (Tonoyan et al., 2010; Wei, 1997). Shehryar and Williams (2013), Williams and Nadin (2014), and Williams and Baric (2014) indicated bribery and corruption to be cumbersome for informal entrepreneurs, hence leading to unprofitable informal businesses.

This section reviewed the external motivators ‘pulling’ entrepreneurs to engage in the formal economy. As such, both the internal and external factors influencing entrepreneurs’ operation in the informal economy and transition to the formal economy were duly highlighted. Notably, the review would facilitate the conceptual framework developed in this research.

2.15 THE CONCEPTUAL FRAMEWORK

The conceptual research framework was developed based on the aforementioned theoretical and literary reviews (see Figure 2.1). This framework aimed to categorise and describe the salient study concepts and map their interrelatedness (Rocco & Plakhotnik, 2009). As opposed to quantitative research, this qualitative study strived to explore additional pertinent findings rather than examine a specific theory or correlation between variables (Miles & Huberman, 1994). As such, this conceptual framework facilitated the attainment of research objectives by addressing the study questions.

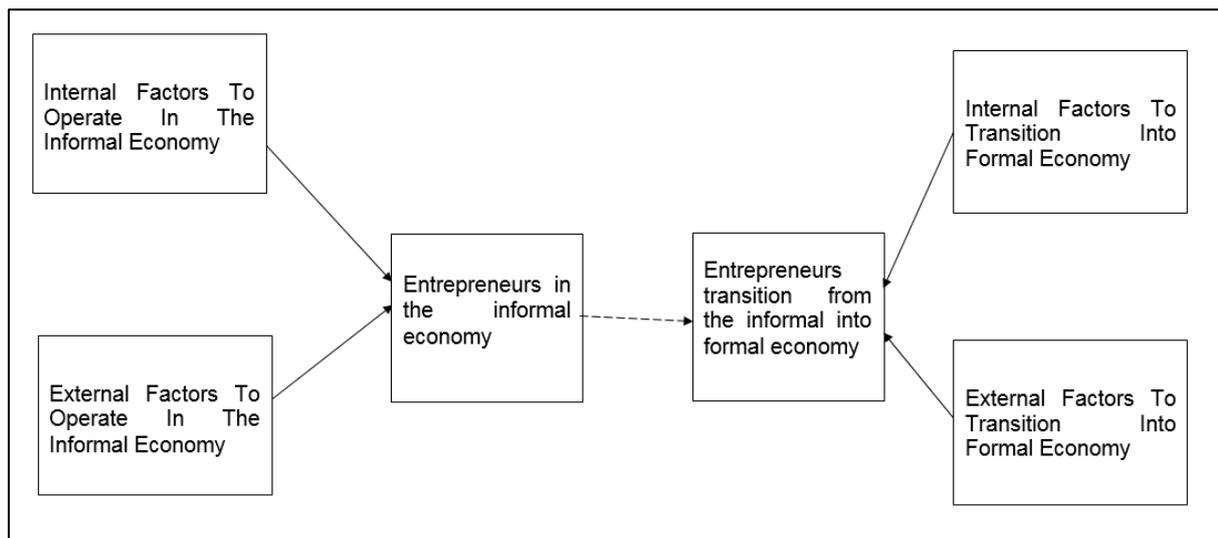


Figure 2.1. The Conceptual Framework

Note: The dotted line denotes entrepreneurs' transition from the informal to the formal economy.

2.16 CHAPTER SUMMARY

This chapter presented relevant literature reviews, discussed the concepts of informal entrepreneurship and informal-to-formal economy transition, and justified the employment of the push and pull theory to explain the operation of internal and external factors in the informal economy and transition from the informal to the formal economy. Lastly, the chapter outlined the conceptual research framework. The following chapter would elaborate on the current research methodology.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 CHAPTER OVERVIEW

This chapter elaborates on the research methodology with detailed discussions of the study paradigm and design, such as sampling techniques and interview protocol. Data collection and analysis are also presented with justifications of research quality and ethical considerations.

3.2 RESEARCH PARADIGM

A research paradigm denotes an abstract framework from a researcher's viewpoint (Guba & Lincoln, 1994). Research paradigms outline a set of common beliefs, commitments, and values among researchers on how a social phenomenon should be regarded (Creswell, 2018). The current research paradigm would direct the overall research process by determining the research strategy (Saunders, Lewis & Thornhill, 2016), data collection, and analysis methodology (Creswell, 2018; Willis, Jost & Nilakanta, 2007).

Positivism and interpretive paradigms (Saunders, Lewis & Thornhill, 2016) imply two extensively utilised frameworks. Positivists examine the causal relationship between collected data variables for empirical generalisations (Wahyuni, 2012; Neuman, 2014). From positivists perspectives, only observable and measurable phenomena could provide reliable data (Morgan & Smircich, 1980; Zyphur & Pierides, 2017). Positivists usually utilise quantitative methods for data analysis and collection (Saunders, Lewis & Thornhill, 2016; Silverman, 2011). Hence, positivists are more inclined towards deductive and quantitative research with theoretical assessments (Lancaster, 2005).

On another note, interpretivists rely on individuals' subjective opinions during research investigations (Saunders, Lewis & Thornhill, 2016; Creswell, 2018). Specifically, social phenomena should be justified by interpreting the reality underlying circumstantial details or motivating actions (Saunders, Lewis & Thornhill, 2016; Willis, Jost & Nilakanta, 2007; Morgan & Smircich, 1980). Thus, interpretivists believe study respondents to be good sources of social knowledge (Wahyuni, 2012). Interpretivists perform qualitative and inductive studies that emphasise small sample sizes for theoretical development (Saunders, Lewis & Thornhill, 2016; Neuman, 2014; Wahyuni, 2012). In terms of axiology, interpretive paradigms are value-bound with the researcher being part of what is examined (Saunders, Lewis, & Thornhill, 2016).

The current research questions are as follows: "What are the factors influencing entrepreneurs to remain in the informal economy?" and "What are the factors influencing informal entrepreneurs to

transition to the formal economy?”. In Creswell (2018) and Perry (1998), the “what are” nature of research questions are more descriptive than prescriptive. Hence, an inductive (theory-building) method is more suitable than a deductive (theory-testing) counterpart in this research. Studies based on the interpretive paradigm encompass theory-building while the positivism counterpart is inclined towards theory-testing (Neuman, 2014; Igwenagu, 2016).

This research utilised the descriptive interpretive paradigm for theory-building. Specifically, entrepreneurs’ behaviour to operate in the informal economy and transition to the formal economy depends on actors’ motivations. In Saunders, Lewis and Thornhill (2016), interpretive paradigms should be selected when the research includes values and subjective human opinions. Both the researcher’s and participant’s knowledge are contextual as each entrepreneur demonstrates distinct and unique reasons to operate their businesses in informal or formal economies (Williams, 2007b; Yetisen et al., 2015). Thus, the subjective viewpoints of engaging in the informal economy and transitioning to the formal counterpart must be analysed and interpreted within individual contexts for a sound understanding of how and why entrepreneurs make specific decisions.

Summarily, this qualitative research adopted the interpretivism paradigm to identify the subjective meaning of the factors motivating entrepreneurs’ engagement in the informal economy and transition to the formal counterpart. The following section presents the current research context.

3.3 THE QUALITATIVE RESEARCH DESIGN

As previously mentioned, this research employed a qualitative research methodology parallel to the interpretive paradigm. Qualitative research denotes an organised investigation of social phenomena in natural settings (Teherani et al., 2015) to (i) investigate unknown social scenarios, (ii) gain a sound understanding of individual experiences, and (iii) improve the knowledge quality related to the phenomenon (Murray, 2010; Patton, 2005; Maher & Dertadian, 2018). In this research, qualitative techniques were utilised to explore the internal and external factors influencing entrepreneurs’ operation in the informal economy and transition to the formal economy.

Qualitative research is a common approach utilised in entrepreneurship research (Kovalainen, 2018). For example, Kerr, Kerr and Xu (2017), Shepherd, Williams and Patzelt (2014), Ogunsade and Obembe (2016), and Keling and Entebang (2017) explored entrepreneurship orientations and phenomena through qualitative studies. Similarly, Dzansi and Tassin (2014), Rothenberg et al. (2016), and Sello (2012) performed qualitative study techniques to explore business transitions from the

informal economy to the formal counterpart. As such, this study posed the following questions: “What are the internal and external factors influencing entrepreneurs to operate in the informal economy?” and “What are the internal and external factors influencing entrepreneurs to transition from the informal to the formal economy?”. In this vein, qualitative methods are the most appropriate techniques to provide insights into informal entrepreneurship and the motivation to transition to the formal economy by conveying lived experiences (Merriam, 2009).

This research utilised an in-depth interview method for data collection. The following section outlines the research procedure of conducting this method.

3.4 INTERVIEW

This research adopted an in-depth interview for data collection. Potter (1996, p. 96) defined an interview as “a technique of gathering information from human beings by asking them questions and getting them to react verbally”. Interviews are primarily employed as a data collection method for in-depth information on participants’ experiences and perceptions of particular study topics (Turner, 2010). Patton (1990, p. 278) also indicated that “we interview people to find out from them on those things we cannot directly observe”. In the research context, the motivating factors influencing entrepreneurs’ behaviour to operate in the informal economy and transition to the formal counterpart could be measured through communication with entrepreneurs rather than observation and statistics for insights into the meanings attached to individuals’ lived experiences.

Past scholars outlined three qualitative types of interviewing methods: (i) informal conversational interview, (ii) standardised open-ended interview, and (iii) the interview guide (Patton, 1990; Saunders, Lewis & Thornhill, 2016). In informal conversational interviews, interviewers generate spontaneous questions during interactions with interviewees (Patton, 1990; McNamara, 2009). Although the technique is deemed beneficial following its unstructured and flexible nature (Cresswell, 2014), this method is criticised in terms of reliability based on the inconsistent nature of information-gathering (Saunders, Lewis & Thornhill, 2016).

The interview questions in standardised open-ended interviews are highly structured (Patton, 1990) as similar questions are posed to each respondent (Turner, 2010). Regardless, the method is beneficial as such open-ended questions allow respondents to provide details that are rich in information (Turner, 2010; Saunders, Lewis & Thornhill, 2016). Standardised open-ended interviews also facilitate data analyses and increase response comparabilities as respondents address the same questions (Patton, 2002). Notwithstanding, standardised open-ended interviews demonstrate limited

flexibility in associating interviews with specific individuals and circumstances and are constrained to the authenticity of questions and answers (Patton, 2002).

Regarding interview guides, interview questions are more structured than those in informal conversational interviews and more flexible than standardised open-ended interview questions (Saunders, Lewis & Thornhill, 2016). The method outlines previously specified topics and issues as a checklist to ensure that all essential topics are covered during the interview (Patton, 2002). The outline also enhances data comprehensiveness, systematic data collection (Patton, 2002), and respondents' self-expression (McNamara, 2009).

This research utilised the interview guide approach as every interviewee possessed different business experiences and thoughts (Kvale, 1996; Rossetto, 2014). The approach enabled respondents to express opinions based on personal experiences and elaborate on transition decisions. Notably, past relevant studies adopted the same data collection technique (Dibben, Wood & Williams, 2015; Adom & Williams, 2012; Snyder, 2004; Williams, 2009). Cresswell (2014) stated that the interview approach could induce novel theme discoveries that are yet to be realised in the relevant study field. The possibility complements the current exploratory study objective to identify additional motivators that influence entrepreneurs to operate in the informal economy and transition to the formal counterpart.

3.5 SAMPLING TECHNIQUES

This research employed two sampling techniques: purposive sampling to select respondent (informal entrepreneur) groups and snowball sampling to select entrepreneurs who successfully transitioned from the informal economy to the formal counterpart. Purposive sampling denotes a non-probability sampling method that deliberately targets respondents based on precise individual attributes (El-Masri, 2017). In this research, active informal entrepreneurs in Sarawak were purposively selected as research respondents to derive informal entrepreneurship experiences following Patton (2002) and generate valuable findings from well-informed individuals.

Snowball sampling selects study respondents who then refer other counterparts (acquaintances with similar attributes) to researchers (Saunders, Lewis & Thornhill, 2016). In the study context, snowball sampling was adopted to determine the entrepreneurs in Sarawak who had successfully transitioned from the informal economy to the formal counterpart. In Noy (2008), snowball sampling is effective in determining participants who are not easily accessible. The technique was employed in this study as the population of entrepreneurs who transitioned to the formal economy remained unidentified in Sarawak. Although SME Corp Malaysia (2018) enlisted 1876 registered SMEs in

Sarawak, no further information of the enterprises operating within the informal economy pre-registration was presented. Thus, snowball sampling was adopted to identify more potential study respondents.

Summarily, purposive and snowball techniques were selected to identify the current study respondents. Both methods emphasise respondent qualities in addressing the research questions. The following section proposes several sampling criteria for the study respondents.

3.5.1 SAMPLING CRITERIA

Sampling criteria are determined to recruit individuals for interviews in collecting appropriate and meaningful research data. This research only recruited qualified individuals who fulfilled the listed criteria. Regarding the mutual criteria for both respondent groups, entrepreneurs must own and operate a business in Sarawak as the research context. Notably, employees could not be enlisted for interviews as this research emphasised entrepreneurs' motivations. The study selected participants from various industries and business sectors for the generalisation of perspectives based on each entrepreneur's information across industrial sectors and businesses (Sutter et al., 2017; Mohd Suhaimi et al., 2016).

Specific criteria were identified within each entrepreneur group for categorisation. Informal entrepreneurs involved individuals with enterprises that are unregistered with any public authorities in line with the definition, characteristics, and nature of informality (OECD, 2002). Informal entrepreneurs were also required to have at least three years of business operation experience in the informal economy. The aforementioned number of years potentially reflected rich experiences and knowledge of the informal economy or environment (Williams, 2006, 2011).

Regarding entrepreneurs who transitioned from the informal economy to the formal counterpart, the first criteria required respondents to have established informal businesses before transitioning to the formal economy. Specifically, the individuals did not previously register their businesses but are now registered with SSM. Second, the entrepreneurs were required to operate their businesses for at least three years in the informal economy before transitioning to formal entrepreneurship (Williams, 2006; 2011). The individuals should also possess at least three years of business operation experience in the formal economy. Despite the paucity of literature supporting the aforementioned criteria, this research identified the criteria following observations on the estimated timeframe for entrepreneurs' business expansion into formality and casual conversations with

entrepreneurs. Furthermore, the timeframe proved reasonable for such individuals to acquire experiences and knowledge in each business area.

3.5.2 PARTICIPANT RECRUITMENT

Given the absence of an informal enterprise registry in Sarawak, potential participants were identified through observations on the definition and nature of informal entrepreneurship and researchers' personal network. The snowball technique was utilised to request for references from past participants and identify the group of entrepreneurs who transitioned to the formal economy. Potential candidates were selected from the four main cities in Sarawak: Kuching, Sibü, Bintulu, and Miri. Based on the sampling criteria, the researcher duly selected 15 informal entrepreneurs and 15 counterparts who had already transitioned for the interviews through phone calls. A total of 30 study respondents were eventually selected (15 in two groups) for sufficient data saturation to occur in line with past research. For example, Harms et al. (2014) conducted 12 interviews, Ogunsade and Ombembe (2016) performed 26 interviews, Mehtap, Ozmenekse and Caputo (2019) conducted 14 interviews on the motivational drivers of informal entrepreneurship, Sello (2012) performed six interviews, and Tassin (2014) conducted 13 interviews on the transition from the informal economy to the formal counterpart.

Essentially, 30 interviews were conducted in every city based on the population (see Table 3.1). The two interviewee profile groups are presented in Tables 3.2 and 3.3.

Table 3.1 Sample Size Selection

Cities	Population	Ratio	No. of participants (Informal entrepreneurs)	No. of participants (Entrepreneurs who transitioned from the informal to the formal economy)
Kuching	705546	44%	6	6
Sibu	299768	19%	3	3
Bintulu	220048	14%	2	2
Miri	364561	23%	4	4
Total	1589923	100%	15	15

Source: Sarawak Population and Housing Census 2010 (Department of Statistics, 2011)

Table 3.2 Profile of Interviewees (Informal Entrepreneurs)

Respondents	Age	Gender	Education level	Business sector	Business age
R01	26	Male	High School	Services	3 years
R02	38	Male	High School	Retail	10 years
R03	50	Male	High School	Services	30 years
R04	30	Female	University	Retail	4 years
R05	30	Male	Primary School	Services	5 years
R06	68	Male	High School	Services	12 years
R07	63	Male	High School	Agriculture	5 years
R08	55	Male	High School	Food & Beverage	25 years
R09	43	Female	High School	Food & Beverage	8 years
R10	50	Female	High School	Agriculture	4 years
R11	68	Male	Primary School	Food & Beverage	20 years
R12	48	Female	Primary School	Retail	3 years
R13	33	Female	University	Services	5 years
R14	26	Female	University	Food & Beverage	7 years
R15	30	Female	University	Services	6 years

Table 3.3 Profile of Interviewees (Formal Entrepreneurs)

Respondents	Age	Gender	Education level	Business sector	Business age
R01	41	Female	University	Retail	IE: 10 years TE: 10 years
R02	30	Male	University	Food & Beverage	IE: 3 years TE: 4 years
R03	28	Male	University	Services	IE: 3 years TE: 3 years
R04	60	Male	High School	Construction	IE: 3 years TE: 22 years
R05	57	Male	University	Construction	IE: 3 years TE: 25 years
R06	45	Female	University	Services	IE: 5 years TE: 5 years
R07	38	Male	High School	Food & Beverage	IE: 10 years TE: 10 years
R08	26	Male	University	Food & Beverage	IE: 2 years TE: 3 years
R09	29	Female	University	Services	IE: 4 years TE: 5 years
R10	50	Male	University	Services	IE: 5 years TE: 25 years
R11	55	Male	High School	Retail	IE: 14 years TE: 21 years
R12	52	Male	High School	Construction	IE: 6 years TE: 13 years
R13	54	Male	University	Food & Beverage	IE: 12 years TE: 5 years
R14	55	Male	University	Construction	IE: 13 years TE: 6 years
R15	55	Male	University	Food & Beverage	IE: 5 years TE: 30 years

Note: IE = Informal Entrepreneurs; TE = Entrepreneurs who transitioned to the formal economy

3.6 INTERVIEW PROTOCOL

The interview questions were adapted from past literature, such as Williams (2007b), Adom and Williams (2012), Williams and Nadin (2010), and Ogunsade and Obembe (2016). The interview questions were related to the current research questions. Specifically, two sets of interview questions were prepared for (i) informal entrepreneurs and (ii) entrepreneurs who transitioned from the informal to the formal economy. Two distinct sets were required as both respondent groups reflected different motivations and experiences with and without the transition process (Schwandt, 2000; Yetisen et al., 2015; Oliver, 2011).

The interview questions were reviewed by four entrepreneurship experts: two for informal entrepreneurship questions and two for transition-oriented counterparts. The open-ended interview questions were pre-tested to ensure comprehension, relevance, and operationalisability and initiate ideas on potential discussion areas (Hurst et al., 2015; Mohd Aliff Abdul Majid et al., 2017) (see Appendix 1). In Edwards and Holland (2013), open-ended questions allow the participants to freely express their thoughts (Merriam, 2016; Patton, 2005). The researcher posed follow-up questions throughout the interview process to clarify specific questions or explore further information (Edwards & Holland, 2013; Brinkmann, 2013).

The researcher began recruiting participants who fulfilled the sampling criteria. Notably, the researcher provided a self-introduction, explained the interview purpose, and obtained basic respondent details pre-interview. A participant information statement (see Appendix 2) and consent form (see Appendix 3) were distributed to respondents in addressing confidentiality issues and obtaining informed consent for study participation. Most of the interview locations were conducive settings where participants could comfortably share information. A total of 30 minutes were allocated for each respondent.

The interview involved a one-to-one and face-to-face process for a sound and holistic understanding of every participant by observing their body language and preventing the researcher from distraction (Gillham, 2000; Qu & Dumay, 2011). Permission was obtained from respondents to record the session pre-interview. Following Walsham (2006), audio-recording the interviews is necessary to retain an accurate record of interview conversations to prevent data omission and facilitate playbacks when transcribing.

Most of the interviews were conducted in English while some were performed in Malay and Mandarin. Regarding the transcribing process, the researcher is conversant in all the aforementioned languages (English, Malay Language and Mandarin) as a Sarawakian. As such, the translation from Malay and Mandarin to English was easily completed. The transcripts and translations were then sent to a secondary school English teacher to ensure translation accuracy and adequacy. The translations were also sent to the study respondents to cross-check for any data discrepancies and translation inaccuracies in justifying their opinions following Creswell's (2018) and Lincoln and Guba's (1985) post-interview processes. The researcher expressed her gratitude post-interview to the respondents for their participation.

3.7 DATA ANALYSIS

Data analysis implies the process of systematic data organisation and categorisation to generate meanings from the collected data (Silverman, 2011; Saunders, Lewis & Thornhill, 2016). Qualitative data analysis implies explicit data interpretation with a specific analytic approach to transform raw textual data into a comprehensible representation of the explored phenomenon (Guest, Mc Queen & Namey, 2011). This research utilised a thematic analysis approach for data analysis with a Computer-Assisted Qualitative Data-Analysis Software (CAQDAS) package: NVivo 12. The software was utilised for data coding, classification, management, analysis, and interpretation (Bazeley & Jackson, 2013; Leech & Onwuegbuzie, 2011). A thematic analysis approach was employed for detailed, rich, and complex data interpretation (Braun & Clarke, 2006). A thorough examination of various study respondents' perspectives reveals similarities to and differences of opinions with unexpected insights into the research findings (Leech & Onwuegbuzie, 2011).

Braun and Clarke (2006) present six phases in the thematic data analysis process. First, the researcher needs to gain data familiarity by reading and re-reading the data for dataset comprehension. Second, initial codes are generated from the dataset. The code-creation process involves data reduction to provide novel contexts of data interpretation and analysis (Guest, Mc Queen & Namey, 2011; Miles, Huberman & Saldana, 2014). Key points, such as father's advice, mother's influence, and siblings' suggestion are coded as 'family members' and categorised under the 'social consideration' theme. Third, the themes are duly identified. The researcher categorises the different codes into potential themes. Themes denote specific phrases or sentences that determine data connotations (Miles, Huberman & Saldana, 2014).

For example, the theme 'social consideration' encompassed the individuals influencing entrepreneurs from immediate surroundings, such as family members, friends, suppliers, and customers. The themes are then reviewed and refined. In this phase, the themes could be separated, combined, or discarded. The themes are subsequently defined and named. In this phase, theme identification reveals how each theme specifically depicts the overall data (Maguire & Delahunt, 2017). Naming the study themes provides readers with a sound understanding of such components (Guest, Mc Queen & Namey, 2011). Lastly, the themes significantly addressing the research questions are finalised. Researchers are then required to report the data story and themes to readers (Boyatzis, 1998; Nowell et al., 2017).

Regarding Nvivo, the codes (each with different colours) assigned to each transcript section are also known as nodes. In this research, the study codes imply the factors influencing entrepreneurs'

retention in the informal economy and transition to the formal economy. The codes are incorporated into the themes and sub-themes presented in Table 3.4 based on current literature (Suhaimi et al., 2016; Tassin, 2014; Williams, Shahid & Martínez, 2016). The motivation themes in this study aimed to include the internal and external factors motivating entrepreneurs' transition decisions (Williams, 2006). The study themes also encompassed driving forces, such as the opportunities and intricacies in both informal and formal economies that impact entrepreneurs' decision in choosing either institution (Djafar, Garba & Mansor, 2013; Giacomini et al., 2011).

Meanwhile, the 'characteristics' theme emphasised entrepreneurs' internal assessment of formal economy transition. Each entrepreneur's distinct attributes inevitably led to multiple transition-oriented perspectives (Drnovsek, Wincent & Cardon, 2010; Shockley & Frank, 2011). Lastly, the 'challenges' theme represented entrepreneurs' barriers in the informal and formal economies. Such intricacies also denoted the transition barriers preventing entrepreneurs' transition to the formal economy (Tassin, 2014; ILO, 2018).

Table 3.4 Theme and Sub-theme Development

Theme	Sub-theme
Motivation	The motivating factors: intrinsic (personal goals) and extrinsic (environment). The driving forces: opportunities and difficulties.
Characteristics	Entrepreneurs' characters: intention, attitude, capability, and ability.
Challenges	The barriers: internal (individual constraints) and external (rules and regulations).

3.8 RESEARCH RIGOUR

Much concern has been highlighted on qualitative research rigour (Gioia, Corley & Hamilton, 2013; Sandelowski, 1986). Davies and Dodd (2002) imply rigour as the study reliability and validity. Four assessment criteria (credibility, transferability, dependability, and conformability) require attainment to prove the qualitative research reliability and validity (Lincoln & Guba, 1985; Saunders, Lewis & Thornhill, 2016). First, this research employed purposive sampling to select knowledgeable entrepreneurs with experience in the study area to improve the research credibility (Denzin & Lincoln, 2018; Carter et al., 2014). The technique is typically utilised to select well-informed entrepreneurs with sufficient experience in the relevant field (Etikan, 2016; Saunders, Lewis & Thornhill, 2016). Researchers also audio-record interviews, meticulously transcribe the content, and return the transcripts to respondents for member-checking (Lincoln & Guba, 1985; Birt et al., 2016). Member-

checking potentially establishes research credibility as the data interpretations and conclusions are shared with respondents for clarification and error rectification (Harvey, 2015; Lincoln & Guba, 1985).

Second, the interviewees were selected from different industries and business sectors for optimal research transferability. Following Gioia, Corley and Hamilton (2013), transferability enables the empirical findings to address larger audiences. For example, the study sampling methods were thoroughly described in Section 3.6 to improve the research transferability to similar settings. Readers could then evaluate scholars' sampling selections and facilitate transferability judgments (Lincoln & Guba, 1985). Third, the development of interview protocols, guidelines, databases, and approaches for interview administrations and execution would also reflect consistency and enhance research dependability (Boyce & Neale, 2006; Whiteley et al., 1998). The interview database in this study encompassed audio-recorded interviews, interview transcripts, and relevant field notes that would be stored for future use.

This research utilised NVivo 12 to improve the research reliability and ensure the consistency of data management and analysis (Bazeley & Jackson, 2013; Wainwright & Russell, 2010). The software potentially ensures methodical, thorough, and attentive empirical work (Silverman, 2011). This research also optimised reliability by selecting highly experienced and knowledgeable entrepreneurs under the sampling criteria section. The respondents' experiences and knowledge subsequently demonstrate the real researched phenomenon (Bashir, Tanveer & Azeem, 2008).

Lastly, the member-checking process was utilised for research conformability. The research data was meticulously documented and consistently verified with member-checking to ensure that respondents' interview responses accurately corresponded to the interview transcripts (Lincoln & Guba, 1985; Miles & Huberman, 1994). Based on the data collection and analysis approaches in this study, the findings originated from systematic procedures without the researcher's influence (Saunders, Lewis & Thornhill, 2016; Boyce & Neale, 2006). Summarily, this research complied with the assessment criteria for optimal reliability and validity. The rigour findings proved significant in generating speculative inferences and plausible and defensible conclusions with emphasis on ethical considerations (discussed in the following section).

3.9 ETHICAL CONSIDERATIONS

Based on Merriam (2016), researchers should demonstrate high sensitivity and ethical values during research processes. Ethical concerns may arise pre-study commencement, at the beginning of the

research, and during data collection analysis and process reporting. Therefore, ethical issues require due consideration during the research process (Creswell, 2014; Saunders, Lewis & Thornhill, 2016). In addressing the ethical concerns in this study, the researcher adhered to the Curtin University Human Research Ethics Committee. Ethical clearance was duly obtained pre-data collection. In compliance with the ethical clearance application, a research proposal clearly stating the following aspects were submitted: (i) study objectives, (ii) data collection, analysis procedures, and storage, and (iii) respondents' safety and rights. The proposal was deemed as low-risk upon careful consideration by the Curtin University Human Research Ethics Committee and obtained ethical clearance with the following approval number: HRE2018-0633 (see Appendix 4).

Based on the ethical guidance, copies of the respondent information sheet (see Appendix 2) and consent form (see Appendix 3) were distributed to the study respondents pre-interview to brief them on the research objective and obtain informed consent for voluntary study participation. Notably, respondents could withdraw from the study at any given time. The researcher also obtained respondents' permission to record the interviews pre-session. Respondents could reject any unfavourable interview questions following confidential rights (Orb, Eisenhauer & Wynaden, 2001). Every participant was provided with matching code names while reporting the collected data for anonymity (Saunders, Lewis & Thornhill, 2016). Only the researcher and supervisors could access the study data for data integrity (Miles & Huberman, 1994) and security. Hardcopies, such as notes and documents were safely stored in a locked cabinet at the researcher's office on campus while soft copies were stored in a password-protected personal computer with backup copies on the Curtin Malaysia server and an external pendrive.

3.10 REFLEXIVITY

Following Ruby (1980), reflexivity denotes researchers' perceptions that affect the environment and subsequently influence scholarly viewpoints. Reflexivity indicates how researchers' positions and interests potentially impact all the research process stages and study quality (May & Perry, 2011; Jootun, McGhee & Marland, 2009). In this study, the researcher justified such reflexive thoughts and remained parallel to the interpretivism paradigm without cognitive dissonance. The researcher also constantly maintained an open mindset throughout the research process to acknowledge additional or novel study concepts (Brinkmann, 2013). As such, the data collection and analysis processes were carefully observed to ensure that multiple realities were developed by respondents and accepted by the researcher who could interpret various perspectives (Schwandt, 2000).

Although the researcher and respondents shared similar socio-cultural contexts that facilitated a sound understanding of the local culture and economy, such similarities could deter the researcher from uniquely perceiving social phenomena and cause unconscious assumptions of respondents' perceptions (Walsham, 2006). The researcher reviewed multiple empirical and relevant study types to minimise potential bias (particularly across different nations), acquire novel insights, and disregard subconscious assumptions of the localised social phenomenon (Guba & Lincoln, 1994). Notably, the researcher maintained an objective mindset towards logical and rational data interpretations (Bryman, 2016; Fletcher, 2015).

3.11 CHAPTER SUMMARY

This chapter described the qualitative research methodology in line with the interpretivism paradigm for data collection and analysis. The research also regarded research reliability and validity and ethical considerations. The following chapter provides detailed discussions of the research findings.

CHAPTER FOUR: RESEARCH FINDINGS AND DISCUSSION

4.1 CHAPTER OVERVIEW

The previous chapter discussed the current research methodology. This chapter discusses the interviews findings to address the four research questions identified in this study. Both the findings and discussions are incorporated into this chapter for a sound understanding of the findings and their association with past studies. Notably, the chapter is structured based on the research questions while discussions on the study findings parallel the identified themes. The findings of each research question are summarised post-thematic discussion.

4.2 INTERNAL FACTORS: INFORMAL ECONOMY

The internal factors in this study paralleled the push factors derived from entrepreneurs' thoughts that catalysed informal entrepreneurship. Each entrepreneur demonstrated different characteristics that influenced business decisions (Kerr, Kerr & Xu, 2017). Based on the node diagram in Appendix 5, the respondents reviewed some keywords (unemployment, survival, autonomy, and other counterparts) that formed the codes for the internal factors influencing entrepreneurs' operation in the informal economy. The keywords were subsequently classified into themes. The aforementioned internal factors were explained and categorised under three primary themes: self-motivation, necessity, and personal control. The themes and sub-themes are duly presented in Table 4.1.

Table 4.1 Internal Factors: Informal Economy Themes and Sub-themes

Theme	Sub-theme
Self-motivation	<ul style="list-style-type: none">• Autonomy, flexibility, and freedom• Economic earning• Risk-taking
Necessity	<ul style="list-style-type: none">• Survival• Unemployment
Personal Control	<ul style="list-style-type: none">• Lack of resources

4.2.1 SELF-MOTIVATION

This section discusses the first internal motivation factor influencing entrepreneurs' retention of business operations in the informal economy. Self-motivation denotes the driving force of individuals' task commitment (Ryan & Deci, 2017). Following Barba-Sánchez and Atienza-Sahuquillo (2017), self-motivation implies the factor catalysing entrepreneurs towards personal goals. Self-motivated entrepreneurs believe in their abilities to perform specific tasks (Ryan & Deci, 2017; Shepherd, Williams & Patzelt, 2015). Self-motivation originates from internal thoughts without external influences or environmental impacts (Ryan & Deci, 2017).

Such entrepreneurs could always self-motivate themselves towards task accomplishment (Dalborg & Wincent, 2015; Dawson & Henley, 2012). In entrepreneurship literature, entrepreneurs' self-motivation denotes their determination to continue business operations (Krems, Kenrick & Neel, 2017). In other words, entrepreneurs' self-motivation is associated with business sustainability (Krems, Kenrick & Neel, 2017). In this research, self-motivation implied informal entrepreneurs' determination to continue business operations in the informal economy. Based on the interviews, self-motivation influenced informal entrepreneurs' retention in the informal economy, including the desire for autonomy, flexibility and freedom (presented in the following sub-sections).

4.2.1.1 AUTONOMY, FLEXIBILITY, AND FREEDOM

Regarding informal entrepreneurship, past studies highlighted that self-motivation could imply the reagents of entrepreneurs' needs for autonomy, flexibility, and freedom (Gelderen & Jansen, 2006). Autonomy, flexibility, and freedom denote the entrepreneur's desire for their own rights and decision-making authority (Gerxhani, 2004; Williams, 2006). Five of the participants highlighted their desire for autonomy, flexibility, and freedom through informal entrepreneurship. This internal factor corresponded to Gerxhani (2004, 274) where self-employed individuals "choose to participate in the informal economy because they find more autonomy, flexibility, and freedom in this sector than in the formal one." Informal entrepreneurs' need for autonomy, flexibility, and freedom reflected the non-stringent rules and regulations in the informal economy (Webb et al., 2009; Williams, 2007).

Following Schneider and Enste (2002), high regulatory procedures reduce entrepreneurs' freedom of choice towards formal economy engagement. Hence, the advent of informal entrepreneurship implies a direct outcome of over-regulation within the formal economy (Schneider & Enste, 2002; Williams et al., 2012). Some examples of the autonomy, flexibility and freedom that

entrepreneurs strive for in the informal economy are free business operation styles and flexible working hours (Gelderen & Jansen, 2006; Williams & Gurtoo, 2009). Excerpts from the respondents who sought autonomy, flexibility, and freedom in the informal economy are presented as follows:

I think I am like most of the entrepreneurs who wish to be autonomous and have the rights to control my business. If you are an employee or worker, you are unable to make own decisions. In the workplace, you have to follow the procedure, and whatever decision you have to go through your employer or another department in order to implement it. By operating this business, it allows me to be creative in designing my products. I am able to come up with something that is tailored, unique, and creative (Respondent 1).

I have more freedom, more time for myself by operating an informal business... Therefore, I have more time for myself. This is what my ideal business operation style is. Hence, I am now in it by operating an informal business (Respondent 4).

I choose informal entrepreneurship rather than formal one is because of operating business informally, I able to choose my working hours and manage my workers working schedules according to my time. My business has no fixed working hours like eight hours per day for my workers and myself... Another example is that I am able to go travelling anytime I want. I do not have to report and apply leave from my boss because I am my own boss. This is why I like doing this business informally... When I am travelling, my worker also does not have to work. Although they cannot earn much when working with me because I always on vacation, this also gives them the flexibility to work for other people when they have nothing to help out at my stall. However, if I am their so called "formal" employer, I can get sued if I don't make them work in accordance to what the law says...(Respondent 11).

Concerning informal employment, the interviewees' responses paralleled the ILO (2018) assertion where flexible working hours and payments implied the critical factors of informal employment stability and growth worldwide. The excerpt from Respondent 11 indicated the unstable working conditions and wages received by informal employees. Likewise, ILO (2015b) asserted that informal employment disregarded informal workers' rights and welfare, including fundamental principles (secured minimum wages).

From entrepreneurs' perspectives, Cross (2000) argued that informality provides flexibility over work schedules and operations. The study findings indicated that entrepreneurs had more time to perform other tasks. Gerxhani (2004, p. 275) also stated that "informal entrepreneurs have the freedom of operating their own businesses; they have flexibility in determining hours or days of operation; they

can use and develop their creativity.” Pasquier-Doumer (2012) further noted that some entrepreneurs select informality following the flexibility and independence in such endeavours. In line with women entrepreneurs’ viewpoints, Mehtap, Ozmenekse and Caputo (2019) concluded that flexible working hours in the informal economy facilitated quality time with family members.

4.2.1.2 ECONOMIC EARNING

The next self-motivator influencing entrepreneurs’ operation in informal entrepreneurship is economic earning. Williams (2007) stated that entrepreneurs establish businesses for income generation. As such, economic earning essentially determines entrepreneurship establishment (Halvarsson, Korpi & Wennberg, 2018). From informal entrepreneurs’ perspectives, such individuals engage in informal businesses to earn income (Mehtap, Ozmenekse & Caputo, 2019; Williams, 2007a). All the study respondents conceded that they engaged in informal entrepreneurship for income generation. Earning business incomes to support family members essentially determines respondents’ business operations in the informal economy. Past research associated the determination to earn income with entrepreneurs’ necessities and opportunities.

For example, necessity-driven entrepreneurs engage in the informal economy to earn income and fulfil essential needs (Giacomin et al., 2011; Williams & Gurtoo, 2009). Meanwhile, opportunity-driven counterparts operate in the informal economy for income-earning opportunities (Djafar, Garba & Mansor, 2013; Smallbone & Welter, 2004; Williams & Youssef, 2014a). Hipsher (2013) added that some informal entrepreneurs engage in informal entrepreneurship for additional income or pocket money through non-formal business operations. Based on the interviews, all the respondents unanimously agreed that they operated in informal entrepreneurship for more informal income. The overall perceptions could be surmised from Respondent 2 as follows:

The foundation of doing a business is to earn money. Why I operate this business informally is because the start-up cost is low compared to doing business in the formal sector. First, I save the money to pay for rental, save money in registering the business, and also save tax expenses. As a businessman, you have to calculate how to maximise your profit earning. Lowering the operating cost is necessary in order to increase the profit. This is why I do informal business. I can minimise my cost and maximise my profit...In addition, even though sometimes the sales and the income are not satisfying, or you are operating at a loss. Then, at least your loss is a small amount and affordable. This is because you have cut all the expenses. Doing business

informally and in small size has its own advantages, where at least it is a “cheap” business to do (Respondent 2).

Following past studies, some entrepreneurs believe that more income could be generated from informal self-employment than the formal counterpart. Hence, such individuals choose to operate in informal businesses (Williams, 2014b). Williams and Gurtoo (2009) reported several business types that offer instant earnings, such as informal trading and freelance services. Al-Mataani, Wainwright and Demirel (2017) explained that people perceive informal businesses as a source of quick income following cash transactions that enable individuals to conveniently calculate profit and loss earnings. Notwithstanding, formal businesses involve accruable transactions that induce business owners to perceive income generation as a prolonged affair.

Some researchers compared the business operation costs between informal and formal economies (Mohamed, 2012; Webb et al., 2009; Williams, 2014b). Resultantly, business operation costs in the formal economy proved higher than the informal counterpart. Some of the costs incurred in the formal economy included tax expenses, business registration fees, and employee wages (Gërkhani, 2004; Williams & Martinez, 2014; Williams & Nadin, 2010). Such expenses were specifically indicated by the study respondents. As the expenditure would increase production costs, decrease profit margins, and financially burden entrepreneurs, the entrepreneurs remained in the informal economy to avoid the aforementioned expenses (Adele et al., 2015; Williams, 2007b; Williams, Shahid & Martínez, 2016).

4.2.1.3 RISK-TAKING

Entrepreneurs' risk-taking propensity denotes an internal factor influencing entrepreneurs' operation in the informal economy and entrepreneurial attributes (Brockhaus, 2000; De Soto, 1989). Brockhaus (2000) defined entrepreneurs as risk-taking individuals while Schumpeter described entrepreneurs as dynamic individuals who take risks in exploiting current business opportunities and developing novel counterparts (Schumpeter, 1961; Shockley & Frank, 2011). In the informal entrepreneurship literature, entrepreneurs' risk-taking propensity significantly and positively impacts business performance in the informal economy (Al Mamun et al., 2016; De Soto, 1989; Siqueira, Webb & Bruton, 2016). Additionally, Al Mamun et al. (2016) empirically proved that entrepreneurs with high risk-taking propensities tend to participate in informal economy platforms. Following Fairchild (2011), such entrepreneurs are prepared to engage in positive or negative circumstances for optimal outcomes. Based on the interviews, two of the participants shared their experiences in overcoming the informal economy risks:

...sometimes I have to move from one place to another place. For example, today I open my stall at Kenyalang, but tomorrow you can find me in the city area. I keep on changing my location because I do not have a fixed premise to operate the business. Then, when I open up my stall in front of other people's shop, sometimes, they will drive me away because they say I interrupt their business. So, I have to find a suitable place to do my business where people can easily find me and come to my stall. However, doing business on the street will also result in complaints by the council. They will come to me and ask me to move my stall somewhere else. However, this is not a big deal for me. I can always close down my stall when I see the council and re-open after they leave. Indeed, everyone is my customer when I move here and there. Therefore, I see this issue as a potential to know more customers (Respondent 1).

Operating a business is not easy, especially for us who do informal ones. We are always anxious about being detected by the city council. If we are caught by them, we have to pay the penalty. We have some experience dealing with them. At first, they are kind and they advise us not to do our business here. But after a few times, they will issue summons and we have to pay fines which are not cheap. We only earn this much of money from our business, and all the income and effort are used to pay the fines. It means we earn nothing at the end of the day if we keep on paying the fines issued by the city council. Therefore, this is the risk or issues that we are facing. Honestly, we have no good solution to this, what we do is that we will hide ourselves when the council officers come patrolling and only operate our businesses after they leave the area. Sometimes, if we are caught, we just apologise, tell them our situation, beg them to let us continue operating and give them some of our pastries. We have to build a good relationship with the council officers so that even if they notice us when patrolling, they will not instruct us close down the stall (Respondent 9).

Resultantly, the risks associated with the informal sector arise following the nature of informality, such as the risk of detection by public authorities and penalties for undeclared transactions. Such informal businesses predicaments contradict past literature where entrepreneurs encounter ambiguities in terms of business sustainability during operations (Williams & Shahid, 2016). The statement paralleled the responses provided by Respondent 1 as informal entrepreneurs did not register their businesses with local authorities. Thus, the authorities could evict informal entrepreneurs from public properties or areas.

Respondent 9 avoided such risks through bribery in the form of pastries and good rapport. Likewise, Williams and Shahid (2016) asserted that low detection risks are associated with high

bribery and corruption levels in the informal economy. Informal entrepreneurs utilise bribery to avoid the detection and penalty risks imposed by public authorities. As Williams and Shahid (2016) highlighted that high punishment risks lower informality levels, Respondent 9 illustrated that low penalty risks in local contexts subsequently lower the operational risks within the informal economy. Consequently, this research indicated that entrepreneurs' ability to overcome challenges and the advantages obtained from informal businesses could reduce such risks.

4.2.2 NECESSITY DRIVEN

Necessity-driven factors denote the second internal factor influencing informal entrepreneurs' business operation in the informal economy. Most respondents conceded that their engagement in informal businesses followed necessity-driven needs. The research findings corresponded to past literature where necessity-driven factors were one of the primary catalysts of entrepreneurs' operation in the informal economy (Adele et al., 2015; Kumi & Mensah, 2017; Williams, 2006).

Past studies categorised individuals who are compelled to engage in informal entrepreneurship for survival as necessity-driven entrepreneurs (Bögenhold, 1987; Williams & Gurtoo, 2017; Williams & Youssef, 2014). Such individuals participate in informal entrepreneurship with no other means of livelihood (Williams, 2008; Williams, Shahid & Martínez, 2016). Additionally, the entrepreneurs are motivated by economic needs to operate in informal entrepreneurship (Bögenhold, 1987; Williams, 2008). Adele et al. (2015) and Smallbone and Welter (2004) acknowledged necessity-driven entrepreneurs as a marginalised, less-privileged, and poor group of people. In other words, such individuals are involuntarily being compelled to engage in the informal economy for income generation and survival (Gërkhani, 2004; Belda & Cabrer-Borrás, 2018). Past literature also provided a list of necessity-driven motivators, such as insufficient family income, poverty, retirement, retrenchment, difficulty in finding work, and job dissatisfaction (Williams & Gurtoo, 2009). Based on the interviews, most respondents indicated necessity-driven factors as the motivators to engage in informal businesses. This research incorporated the factors into the 'survival' and 'unemployment' sub-themes (discussed in the following sub-sections).

4.2.2.1 SURVIVAL

Based on Kumi and Mensah (2017) and Belda and Cabrer-Borrás (2018), some informal entrepreneurs operate in informal entrepreneurship out of necessity (survival). Such informal entrepreneurs perceive

the informal economy as a last resort (Williams, 2011; Williams & Gurtoo, 2017). Past studies also associated informal entrepreneurship with poverty (Bonnet & Venkatesh, 2016; Manaf & Kamarulazizi, 2017; Williams, 2014a). In Williams (2014), financially disadvantaged individuals tend to participate in the informal economy to avoid poverty. Likewise, Bonnet and Venkatesh (2016) asserted that poverty compels individuals to seek alternate means to social reproduction, such as informal sources of income through informal entrepreneurship. The aforementioned findings demonstrated that impoverished individuals tended to operate in the informal economy (Belda & Cabrer-Borrás, 2018; Williams & Youssef, 2014a; Williams, Shahid & Martínez, 2016).

Manaf and Kamarulazizi (2017) labelled low-income populations as survivalists. Such individuals engage in informal entrepreneurship to fulfil essential needs: food and shelter. Survivalists would remain in the informal economy rather than transition to the formal counterpart with no aims to expand economic earnings or business growth (Manaf & Kamarulazizi, 2017; Williams, 2014a). As survivalists, the individuals are compelled to engage in the informal economy for income generation (Hughes, 2006; Williams & Nadin, 2010). The individuals inevitably become informal entrepreneurs for survival rather than business growth (Cheung, 2014). The statement paralleled the respondents' experiences as follows:

I started doing this business because my mother was sick and I needed money to pay for her surgery. At that time, I was in urgent need to get money to pay for the medical fees. Therefore, the fastest way to earn money that I can think about is to operate a stall and sell things. This is because no one who is willing to employ you would allow advanced salary payment before you start doing your job. That is why I am forced to start up a business all by myself. In addition, I do not have money to start up a proper business, so I can only do informal business (Respondent 8).

I think the only purpose I do this business is to earn some money for survival. I do not have the aim to do big business or become rich. In fact, I am satisfied with my current life and work. I am able to earn income on my own, using my effort to feed my family and myself. I am happy with it (Respondent 11).

Honestly, I started up this business only because we face financial difficulties and that my son needs money for his higher education. Enrolling my son to college requires a lot of money, such as daily allowances, rental, school fees, and others. My husband is a part-time worker and I am a housewife. Our total earning is not enough to cover the rentals, utilities, foods, and hire purchase loans. Therefore, I have to go out to work and earn income to support my family

expenses. Even if he is not going to college, our current situation is also “tight”. Hence, operating an informal business for me and my family is a source of income to sustain our livelihood (Respondent 12).

In line with supporting proof, the respondents operated businesses in the informal economy to earn some income to fulfil necessity-driven needs. Respondent 8 indicated that he operated in informal businesses as a quick means of generating income. Respondent 12 also mentioned that she became an informal entrepreneur to supplement her family expenses and sustain their livelihood. The responses from Respondent 11 further substantiated Manaf and Kamarulazizi’s (2017) statement where survivalists would remain in the informal economy rather than transition to the formal counterpart with no aim to expand economic earnings or facilitate business growth. Therefore, necessity-driven informal entrepreneurs would remain in the informal economy as a survival strategy.

4.2.2.2 UNEMPLOYMENT

Another sub-theme under necessity is unemployment which involves job dissatisfaction, unemployability, retirement, and work retrenchment. Several respondent quotes are presented as follows:

I started up my own business when I was young. I have operated it for about 30 years. When I finished my studies, I did walk around and look for a job. In my time, it was not easy to find a job, especially when you wanted to land a job in a good company. Meanwhile, you see all your friends are getting employed and you are the leftover who is unable to get a job. You feel disappointed and demotivated to continue with job applications. After a few months, I decided to be my own boss. The fact is I have run out of money to pay for my rental expenses. I cannot just keep on waiting for employment. What if I just can’t get used to any company for a lifetime? Therefore, I start to see what my potential is and I want to use this ability to earn money...Although it is a small business, at least I am able to gain income and not depend on others (Respondent 3).

In the past, I worked as an office clerk in a private company. However, I find it is stressful to continue with the job. I mean I have to complete all the tasks from the upper departments and it is a lot for me. I feel like it is inappropriate and not worthy to handle so much work and face stress with minimum wages. Therefore, I quit the job and started my own business. Working for other people is not suitable for me. Sometimes I feel it is unfair because I work so hard and

doing overtime is very common for me. However, I do not get a job promotion, I do not get a bonus in return. When I notice that I have negative emotions and I experience hair loss, I literally resigned from the company (Respondent 5).

I started this business after my retirement. I tried to look for some activities to fill my retirement life and eventually begin to operate this business. As I am already 68 years old, therefore I am doing it informally. This is because I don't have the energy and motivation like in the past to commit myself totally to the business...Doing this business also enables myself to have some financial earning even though I have a retirement plan to support my spending. However, older generations like me always have the mindset that the money will be used up one day, so instead of overhead budget spending, I prefer taking an approach of "earning and spending" (Respondent 6).

The main reason to operate this stall is that my husband lost his job. He was a general worker before. When he was cut off from this work, we hence lost our household income. I am a housewife and therefore I don't have any financial income to support the household expenses. For me, when the thing (retrenchment) happened, we had to find a way to deal with it. This is why I started up this business to earn some income to feed the family (Respondent 9).

The study respondents reflected several unemployment issues, such as unemployability (Respondent 3), dissatisfaction with current employment (Respondent 5), retirement (Respondent 6), and retrenchment (Respondent 9) in line with past studies (Davies & Thurlow, 2009; Djafar, Garba & Mansor, 2013; Mujeyi & Sadomba, 2018). As individuals without salaried work lose secured income sources, they are compelled to seek alternatives in the informal economy (Cheung, 2014; Mujeyi & Sadomba, 2018; Williams & Gurtoo, 2017). Likewise, individuals who could not seek employment within the formal economy would resort to the informal economy through informal employment opportunities or business startups (Kumi & Mensah, 2017). Based on the study findings, the informal economy absorbed surplus workers from the formal economy and provided individuals with working opportunities and income-generation platforms (Fapohunda, 2013; ILO, 2018).

4.2.3 PERSONAL CONTROL

The next factor influencing entrepreneurs' retention in informal business operations is personal control. Personal control influences entrepreneurial decisions following past research (Keling & Entebang, 2017). In this study, personal control denoted the decision to operate informal businesses or

transition to the formal economy. Neill, Lynn and Jonathan (2017) explained that entrepreneurs should set personal expectations (desired goals) and adequately utilise perceived control for goal attainment. Following Kaufman, Welsh and Bushmarin (1995), personal control implies the belief that entrepreneurs' abilities, resources, and skills influences end results. Moghavvemi and Akma Mohd Salleh (2014) further asserted that entrepreneurs' current skills and resources reflect the propensity in conducting business activities. Resources denote the primary supply source and asset for specific productions: capital, infrastructure, labour or human resources, personal skills, and knowledge (Efendic, Pasovic & Efendic, 2018; Kor, Mahoney & Michael, 2007). In this research, the degree to which entrepreneurs obtained and employed resources for business operations influenced their ability to transition to the formal economy. The study findings corresponded to past research, such as Tassin (2014) where informal entrepreneurs with personal control issues (limited resources) potentially fail to transition to the formal economy and remain within the informal economy.

4.2.3.1 LACK OF RESOURCES

Past studies highlighted the incongruencies in resource allocation among informal and formal economies (Webb et al., 2013). The informal economy is frequently perceived as having limited resources compared to the formal counterpart (Dzansi & Tassin, 2014; Kanfer & Ackerman, 1989). Such constraints in the informal economy deter entrepreneurs' task performance (Kanfer & Ackerman, 1989; Webb et al., 2013). Williams (2015) also indicated that resources significantly impact business performance. For example, small firms embrace business-oriented challenges despite resource limitations. Thus, resources are deemed significant in measuring business size and growth (Moghavvemi & Akma Mohd Salleh, 2014).

Williams and Shahid (2016) revealed that resource scarcity in the informal economy hampers entrepreneurs' ability towards business advancement and diversification. Therefore, the individuals could not increase their output and struggled to facilitate business outputs and expansion. In this vein, resource constraints adversely impact productivity levels (Leal Ordóñez, 2014). Furthermore, Kumi-Kyereme (2012) described resources as input and production as output where low input level subsequently decreases output level. Thus, informal entrepreneurs could not improve business production (Rothenberg et al., 2016) and growth and facilitate the transition to the formal economy (Tassin, 2014) following insufficient resources.

Similarly, most respondents indicated their retention in the informal economy following inadequate resources for formal business growth. Some interview excerpts are presented as follows:

...because I don't have money to rent a shop to open up like those H2O or other barbershops. That's why you see I only operate at my house...My hair cutting style is old and I only know how to cut boy's hair. My skills are already outdated. People nowadays demand creative and modern hairstyles. I clearly understand that my standard is incapable of fulfilling majority market demand. That's why I don't have many customers. My current customers are older men who live around this residential area. Teenagers are less likely to visit my shop. Therefore, I think I just do small business and it is enough (Respondent 3).

Actually I have many customers, my friends, my ex-colleagues, the friends of my wife, my neighbours, and many unknown people who will come and ask for my fruits. The demand is there, and I am thinking of ways to satisfy the demand. However, because I do not have a big land to plant more fruit trees, I do not have many fruits to sell. For example, my current land is about 15 points. Then I plant approximately 20 plus trees from different species. So, if each tree can bear for about 10 fruits, for example, I only have 200 to 300 fruits to sell to my customers. It is not enough to distribute to everyone. This is why I do not want to do it as a formal business, because the fruit production is limited (Respondent 7).

I do not formalise my business because I do not have the money to do so. I do not have the capital to buy a premise or rent a premise. This is why I set up a stall. I also do not have the money to purchase a machine for production. All our pastries are hand-made. Consequently, we are unable to produce much. For example, we only make 20 to 30 steamed stuffed buns daily. Therefore, we can only earn this much money daily as well because we have limited output quantities (Respondent 9).

The finding corresponded to Leal Ordóñez (2014) and Barbosa, Pulido & Ayala (2019) where entrepreneurs who could not increase the production number would adapt to small establishments and change their decisions to access the formal economy. Rothenberg et al. (2016) explained that business owners are aware that limited production could not satisfy wider customers' demand in the formal economy. Regarding financial capital, some entrepreneurs (Respondents 3 and 9) engaged in the informal economy following insufficient capital for a formalised business. Engstrøm (2016) asserted that capital availability optimises firm formation. Specifically, low capital leads to informal organisational development. In line with current literature, informal entrepreneurship could be conveniently established with minimal expenditure (Kumi-Kyereme, 2012; Ren, 2012; Williams, 2015).

Conclusively, the internal factors influencing entrepreneurs' operation in informal businesses encompassed self-motivation, necessity-driven factors, and personal controls. Self-motivation involved entrepreneurs' desire for autonomy, flexibility, and freedom in informal business operations to earn more money. Some entrepreneurs perceived that informal entrepreneurship engagement generated more income, thus resulting in informal business operations. Entrepreneurs with high risk-taking propensity also selected informal business operations following the willingness to take risks in the informal economy. Such individuals were also driven by necessity to engage in informal entrepreneurship for sustenance. The entrepreneurs sought income in the informal economy due to unemployment issues in the formal counterpart: unemployability, retrenchment, dissatisfaction with current employment, and retirement. Lastly, entrepreneurs with limited skills and resources could not transition to the formal economy and remained engaged in informal businesses.

4.3 EXTERNAL FACTORS: INFORMAL ECONOMY

In this research, external factors also denoted the 'pulling' drivers of entrepreneurs' operation in the informal economy. The study respondents conveyed their perspectives of social consideration: (i) peer and family influence and (ii) the laws and regulations that developed the codes for the external factors influencing operation in the informal economy. Based on Appendix 5, the external factors impacting informal economy engagement could be classified under three themes: rules and regulations, current opportunities in the informal economy, and social consideration. The themes and sub-themes are presented in Table 4.2.

Table 4.2 External factors: Informal Economy Themes and Sub-themes

Theme	Sub-theme
Rules and Regulations	<ul style="list-style-type: none"> • Complicated, timely and costly
Opportunities	<ul style="list-style-type: none"> • Online platform • Access to resources in informal economy
Social Influences	<ul style="list-style-type: none"> • Culture of sharing • Family and friends

4.3.1 RULES AND REGULATIONS

Following past research, entrepreneurs choose to operate in the informal economy following formal economy laws and regulations (Webb et al., 2009). Boettke and Coyne (2009) defined laws and regulations as the guidelines monitoring individual behaviours and enterprises in the formal economy. Meanwhile, the informal economy is facilitated by legitimate beliefs and social norms (Roumi, Ray & Avasthy, 2013). Based on Dickerson (2011), informal entrepreneurs select the informal economy as a business platform to avoid being controlled by codified laws and regulations. Likewise, Kasim and Jayasooria (2001) conceded that informal entrepreneurs prefer legitimate rules compared to formal laws for more business operation incentives and opportunities. Most respondents highlighted that they remained in the informal economy to avoid formal compliance with rules and regulations. Specifically, the individuals demonstrated reluctance in adhering to rules and regulations following time and cost-based complications. The reasons could be highlighted in a respondent's response as follows:

It is complicated to follow and comply with the rules and regulations. Operating business informally is much easier than formally because in the informal economy, you are not restricted by the laws. For instance, we want to start up a food stall, we don't have to spend the time to apply for licenses. Before I started up this business, I initially asked for the council to guide me for a formal one. However, I find that they are strict with the operation, including coffee shop cleanliness, food hygiene, and the drain system. I mean, why does it have to be so complicated? It is different if you operate informally. You don't have to follow the design required by the authorities, such as back-lane, smoke exhaust system, drain system, and so on. Moreover, it is not only about the building but also about also other requirements, such as cleanliness, labour health, hygiene, and food safety. Every year the owner has to renew the license and governance from the Ministry of Health who will regularly check on your business premise. It is so troublesome for me. Therefore, informality is a better choice for me (Respondent 8).

The finding paralleled Bruhn and McKenzie (2014) and Williams (2014b) where most entrepreneurs are reluctant to register their businesses due to complex institutional regulations. For example, multiple procedures need to be complied with in business registrations (Dickerson, 2011; Bruhn & McKenzie, 2014). As entrepreneurs are required to understand business registration rules and procedures in applying for a business license, some of the individuals find the procedures to be intricate and time-consuming (Rothenberg et al., 2016). Most entrepreneurs prefer to disregard formal procedures and become informal business owners (Dickerson, 2011; Rothenberg et al., 2016). Based on current literature, the cost and burden of adhering to formal rules and regulations, particularly tax laws, are high (Joshi, Prichard & Heady, 2013; Leal Ordóñez, 2014). Although entrepreneurs could

declare and pay their tax annually within the allotted period (Malaysia Inland Revenue Board, 2018), entrepreneurs with low tax morale are unwilling to declare and pay income taxes (Ching, 2013; James & Jorge, 2019; Williams & Horodnic, 2016). Thus, the individuals prefer informal entrepreneurship to avoid tax payment (Abiola et al., 2017; Sandmo, 2012; Williams & Horodnic, 2016). Furthermore, Tassin (2014) highlighted that the pressure to pay taxes and complex compliance issues primarily instigate entrepreneurs' failure to transition to the formal economy and remain informal.

4.3.2 OPPORTUNITIES

The opportunity-driven factor is another external factor influencing informal entrepreneurs' business operation in the informal economy. Entrepreneurs encompass individuals with the ability to recognise and exploit business opportunities (Kuckertz et al., 2017). Williams and Nadin (2010) and Williams and Gurtoo (2017) categorised entrepreneurs who are 'pulled' by the current opportunities in the informal economy as opportunity-driven informal entrepreneurs. In other words, opportunity-driven informal entrepreneurs are individuals who acknowledge and manipulate business possibilities in the informal economy through business ventures (Kuckertz et al., 2017; Webb et al., 2013).

Conventionally, informal entrepreneurs participate in the informal economy due to survival needs (Belda & Cabrer-Borrás, 2018; Djafar, Garba & Mansor, 2013; Williams, 2007a). Nevertheless, current literature indicated that some entrepreneurs voluntarily engage in the informal economy (Cross, 2000; Welter, Smallbone & Pobol, 2015). As opposed to necessity-driven entrepreneurs, opportunity-driven counterparts voluntarily engage in informal entrepreneurship (Williams, 2008; Williams & Gurtoo, 2009; Williams & Nadin, 2010). In this regard, opportunity-driven informal entrepreneurs denote opportunities in the informal economy for potential benefits that are absent in the formal economy: flexible working hours, potential economic autonomy, inefficient government regulations, and tax avoidance (Maloney, 2004; Williams & Youssef, 2015). The potential benefits were classified and discussed across different themes (rules and regulations) in this research (see Section 4.3.1). Summarily, this section discussed the opportunities highlighted by respondents in line with online business platforms and demand in the informal economy that catalysed engagement.

4.3.2.1 ONLINE PLATFORM

The rise of online business ventures and operations through digital platforms is undeniable (Finkle & Timothy, 2019). Zhao and Collier (2016) described online entrepreneurial establishments as a means of incorporating novel ventures and converting current businesses with digital technologies. Online business establishments are hassle-free and affordable (Perritt, 2000; Finkle & Timothy, 2019). Following current literature, online platforms promote inclusive opportunities for entrepreneurs to establish products with wider coverage and online communities (Berrou & Eekhout, 2019; Onyima & Nkechi, 2017). In other words, entrepreneurs could access extensive online communities when promoting businesses and products through digital platforms (Abuhashesh, 2014).

The Department of Statistics (2017) reported that approximately 47, 566 online ventures conducted e-Commerce transactions in 2015. Furthermore, the Malaysian digital economy accounted for 18.2% of the GDP in 2016 (increased to 6.1% compared to 5.9% in 2015) (Department of Statistics, 2017; Ministry of International Trade and Industry, 2018). The statistics implied the significance of local online establishments. Based on the interviews, two respondents indicated informal economy participation through online business operations. Following past studies, both participants mutually agreed that online businesses present extensive opportunities for exploration with low entry barriers. The respondents' excerpts are presented as follows:

The generation today is technology based. There are many people who have already started to sell products using the internet, for example, Lazada, Amazon, Taobao, and so on. Selling products and services online is already very common in China. Besides, prominent online shopping websites, such as Lazada and Amazon which are controlled by big companies inspire business owners to sell their products online. However, we cannot simply create a website and sell things because to create a domain is expensive. Therefore, we do it informally, which is using social media, such as Facebook and Instagram to promote our products. I think a lot of customers in Sarawak prefer making purchases via Facebook and Instagram than Lazada or Amazon, especially for local transactions. Local transaction means buying and selling within Sarawak only. People from Sibu sell their goods to Bintulu or Sibu people sell to Sibu people. It does not involve overseas transaction. I think it is because the delivery is faster and our people (Sarawakians) are more familiar with Facebook and Instagram...I am using my personal Facebook account to sell things. I post my products in a different group, such as Sibu Buy and Sell Community, Sibu Sharing, JualBeliSibu. If people are interested to buy, they can comment or we call "PM" to make a deal with me. Using online platforms to sell goods is very simple, and most importantly at no cost. Everyone can conduct a transaction online (Respondent 4).

Respondent 14 also agreed with Respondent 4 on the opportunities to initiate informal online businesses:

I start up my business online because it is simple and at no cost. I create a page for my business on Facebook and Instagram. How I operate is that I put the pictures of my products to the pages and take orders from it. But most of the time, people will message me on the design and flavour of the cake they want. They will inform me about the delivery time when they want the cake to be made and delivered. I see the benefits of using online platforms to conduct business rather than a shop is that it does not require capital. I save on the rental. Secondly, I produce the cake according to the order. Therefore, there is no wastage or unsold leftover cake. Let's say if nobody comes to make an order in my pages, at least I don't lose any capital because no rental expenses or spending on ingredients which are purchased accordingly. There is no loss for me using an online platform. I see this as the opportunities to start up a successful business and I just operate it like this (Respondent 14).

Both perspectives supported past studies on the vital impacts of digital technology and opportunities in the informal economy. Although online businesses create extensive opportunities for business establishments, most entrepreneurs are unaware of the requirement to register online business operations. A total of 400 online businesses were charged in 2010 for not registering with SSM (Ming, 2016). Unregistered online businesses are thus considered informal businesses (Lai, 2016). Lai (2016) highlighted that local communities are oblivious to the registration of online businesses with SSM. Mazlan (2018) conceded that Malaysians are confused to date as to why individuals should register their online businesses as a company although such businesses are regarded as a hobby or part-time endeavour. Specifically, the Consumer Protection (Electronic Trade Transactions) Regulations 2012 stated that all the businesses selling products through online platforms (Facebook and Instagram) need to report to SSM (Jabatan Peguam Negara, 2012). As the entrepreneurs in Sarawak are implementing the digital economy strategy, the individuals are encouraged to establish online businesses that are registered with local authorities.

4.3.2.2 RESOURCES IN INFORMAL ECONOMY

The next opportunity-driven factor influencing entrepreneurs' operation in the informal economy is the current resources in the informal economy. Some entrepreneurs are 'pulled' to obtain informal economy resources and informally operate businesses (Pryor & Webb, 2013; Webb et al., 2013). The existing resources in the informal economy include informal labour forces, customers' demand for low-cost goods, and informal financing (Olomi, Chares & Juma, 2018; Webb et al., 2013). La Porta and Shleifer (2014) and Wafa, Mohamed and Bouteldja (2015) argued that informal resources are sub-standard compared to their formal economy counterparts. Following Avirgan, Gammage and Bivens (2005), the informal economy encompasses less-proficient labourers compared to the formal counterpart. Excess human resources in the formal labour market compel unemployed individuals to access the informal labour counterpart (Davies & Thurlow, 2009; ILO, 2002).

Avirgan, Gammage and Bivens (2005) asserted that jobless individuals in the formal economy consist of people with limited skills and low education levels. As such, informal firms reflect lower productivity than formal counterparts (La Porta & Shleifer, 2014). Notwithstanding, some entrepreneurs are willing to employ informal labour following minimal wages (Chen, Jhabvala & Lund, 2001). Therefore, informal entrepreneurs could save up on business costs by paying low salaries (Williams, Shahid & Martínez, 2016; Williams, 2007a). Based on the interviews, Respondent 8 indicated that he engaged in informal entrepreneurship for informal human resources. The statement contradicted current literature where informal labourers are perceived to be as competent and highly skilled as formal economy workers. Respondent 8 elaborates as follows:

...both of my workers are good. They can take care of my shop even when I am not around. When I am travelling, they are the ones who are responsible for running the shop every day. They are quite smart and they are fast learners and I like their working attitude. I think even in the formal labour market it is difficult to attain this kind of workers...I paid them a bit lower than the minimum wages of RM1100 because we do not operate business the whole day...Yes, I do save some expenses. However, even though I pay them lesser than the minimum wage requirement, sometimes, and especially during the New Year festival, I will give them bonus. Moreover, their working hours are also flexible. They can arrange their working hours among themselves, as long as there is one person helping me when we start the business operation...They have been working with me for many years and their performance is good (Respondent 8).

Entrepreneurs prefer operating in informal businesses following high customer demand. Following Kuckertz et al. (2017), the presence customer demand creates business establishment

opportunities. In economic studies, low-income earners are willing to purchase low-cost goods and services than their standard counterparts (Frank, 2008). Thus, informal entrepreneurs perceive the possibility to produce low-cost goods and services that are more affordable than high-quality ones. In this vein, inferior goods replace normal counterparts in the formal economy (Bakhshoodeh, 2017). In minimising the cost of producing goods and services to compete against standard goods, informal entrepreneurs select the informal economy as a business platform based on the opportunity to utilise informal resources: obtaining cheap raw materials from other informal suppliers and delivering products through informal distribution channels (Williams, 2014b; Portes, 1996). For example, Böhme and Thiele (2012) affirmed that the evolution of informal entrepreneurship relies on supply and demand. Based on the interviews, some participants shared their experience of gaining access to specific resources based on the informal economy supply and demand:

...I can get the supplies at a very cheap rate with my suppliers and therefore I can sell it cheaper than the market price. Therefore, there are many people who come to me and purchase the products with me...I have different suppliers. I choose the suppliers because I need to make comparisons between suppliers who offer cheaper prices. For example, supplier A offers me this product at RM10, then supplier B offers me the price at RM5, which one will you choose? I will definitely choose supplier B. This is because I can sell the product at RM10 and earn RM5 from it. If I choose supplier A, I have to sell at RM15 where the supermarkets also sell about the same price. If you have cheaper supplies, you can negotiate the prices with customers. This is also the benefit of a competitive advantage where you sell cheaper, more people come to you and buy from you (Respondent 4).

Actually, home-based business has a good market demand in local settings. There are a lot of people looking for business which can satisfy their needs and where they do not have to present to the business entity, this is where the opportunity for home-based business is derived from. For example, I have a lot of customers who just make an appointment via phone call or Whatsapp to make arrangements for time and date for services, and I can go to their house and perform my duty. People nowadays have to work during the weekday, so weekends are so precious for them and they want to just stay at home. Therefore, I see the opportunity and demand that instead of making them walk into the beauty salon, I can go to their house (Respondent 13).

I started up this business because I found an opportunity to do so. I found the opportunity when I was talking with the other parents while waiting for my children to finish their class. I realised

that many of the parents need to work during daytime and do not have time to take care of their children. Thus, I see the opportunity to offer childcare services to them since I am not working and have time to look after their children. Usually, the parents will pick up their children after work...Surprisingly, there is a lot of demand where parents keep on asking me to help them take care of their children because they are busy...Currently, I am taking care of 10 children in my house. Yet, there are still many parents who are looking for childcare services from me (Respondent 15).

4.3.3 SOCIAL INFLUENCES

Social influences denote another external factor influencing entrepreneurs' business operation in informal entrepreneurship. Following Hofstede (2001), entrepreneurial activities are affected by surrounding cultures and social beliefs. Cultural and normative environments significantly impact social norms and beliefs within communities. For example, a society that prioritises legitimate norms and values is inclined towards informal entrepreneurship (Webb et al., 2013; Williams & Shahid, 2016) while a community that prefers codified rules and regulations tend to validate formal entrepreneurship (Webb et al., 2013; Williams & Shahid, 2016). Furthermore, Welter, Smallbone and Pobol (2015) conceded that social contexts influence the development of informal entrepreneurship. For example, normative and value-driven socio-cultural dimensions induce community members' adoption of such environments.

Past studies categorised this phenomenon as the normative influence of informality (Aronson, Wilson & Akert, 2005; Ogunsade & Obembe, 2016). The prevalence of values and perceptions concerning informal businesses among a group of people facilitate informal practices (Ogunsade & Obembe, 2016; Hofstede, 2001) and collective mindsets and knowledge within societies, regions, and nations (Ogunsade & Obembe, 2016). Individuals would become informal entrepreneurs due to normative influences when other people practice informal business transactions (Kacperczyk, 2013). The finding corresponded to past research where social contexts impacted individuals' decision to become informal entrepreneurs (Stephan, Uhlaner & Stride, 2015). Some individuals are motivated to participate in informal entrepreneurship for social acceptance (Aronson, Wilson & Akert, 2005). Based on the interviews, most respondents highlighted social influences (local culture of sharing and the influence of family and friends) as the factor motivating informal business operation (discussed in the following section).

4.3.3.1 CULTURE OF SHARING

Cultures vary across countries. Following Aronson, Wilson and Akert (2005), cultural differences across nations form multiple entrepreneurial motivations and activities. In Urban (2007), culture provides a language-based conceptual framework for knowledge interpretation and shape subjective mental constructs and actors' situational perceptions in life, thus affecting decision-making and entrepreneurial behaviours. Based on the interviews, Sarawak facilitates the widespread culture of sharing as local people enjoy sharing their goods with others. The situation represents a form of normative social influence where societies accept and practice this culture. In other words, the collective norms and values among the community members in Sarawak promote the sharing of goods and services with other counterparts for good rapport. The behaviour also represented social interaction. Based on the interviews, Respondents 5, 7, and 10 established their informal business through the culture of sharing by exchanging goods and developing a good rapport.

It is our unique culture to share business information at the coffee shop. Every day, you can see people having "meetings" at the coffee shop. We talk about politics, business, family, friends, rumours, and others. This is where people in Sarawak exchange information. We can spend a day talking with each other and learning from them. We like to share our information and at the same time, we can meet new friends... I think this is the good thing in Sarawak, that everyone generously shares information and helps each other in their business...For my business, I am a property broker. Therefore, these people are all my customers and suppliers. For example, I get to know Mr A who wants to sell his houses when we are talking. So, I offer to help him sell his houses and get a percentage of commission. Sitting down and talking to people at the coffee shop is also a good way to have a wide personal network. You know everyone and get information quickly. I am able to sell Mr A's house within only a few weeks because I know many people and there are some who are interested to buy. It is very informal but this is how our culture controls this broker business. It is unlike a foreign country where you have property agents as a broker to brief you about the house and organise an open house to visit the house (Respondent 5).

At first I give my fruits to my neighbour, siblings, and cousins because I cannot finish all the fruits on my own...I didn't plan to sell my fruits in the beginning but slowly more and more people came and wanted to buy the fruits from me. Therefore, in the end it turns out to be a business (Respondent 7).

I always like to plant fruit trees. After the trees bear fruit, I share the harvest with my relatives and friends. My trees are very productive, bearing many fruits and the fruits are sweet. My friends and relatives like them very much and always keep on asking for more. However, most of my friends are also shy to take the fruits from me. In Chinese culture, we have this practice of giving and taking. Therefore, they will also give me some gift in return. They also like to share the fruits from my trees with their friends and their friends request to buy from me. Slowly, it becomes a business for me. It is not a very formal business like selling at the market. I sell the fruits only because they want to buy from me, then I sell to them. If they do not pay me, that will be fine too. It is about sharing and happiness (Respondent 10).

Based on the interviews, Respondent 5 indicated the unique culture of exchanging information with other people. The respondent could obtain relevant information and convert the knowledge into business opportunities as a property agent. Moreover, Respondents 7 and 10 originated from the same business sector with similar experiences of establishing their informal businesses through knowledge-sharing with other individuals. The sharing practice developed into marketing tools that promote their products for potential customers. Brown and Duguid (2000) and Barbosa, Pulido and Ayala (2019) also elaborated that social influences reflect how interpersonal networks allow access to social sustenance and facilitate social norms and behaviours.

4.3.3.2 FAMILY AND FRIENDS

Based on Sengupta (2010), family and friends represent social capital that easily influences entrepreneurs' behaviours. Individuals who directly network with family members and friends are easily influenced by external beliefs, norms, and values (Arregle et al., 2013). Current literature also stated that family and peer support significantly affects entrepreneurs' decision to operate in the informal economy or transition to the formal counterpart (Arregle et al., 2013; Webb et al., 2013). For example, adequate financial support from family and friends catalyse business growth and the transition to the formal economy (Mehtap, Ozmenekse & Caputo, 2019). Advice from family and friends also considerably impact entrepreneurs' participation in informal entrepreneurship (Roumi, Ray & Avasthy, 2013; Mehtap, Ozmenekse & Caputo, 2019). In this vein, entrepreneurs rely on informal sources (family members and friends) for business support and guidance (Williams, Shahid & Martínez, 2016).

Family backgrounds also affect entrepreneurs' mindset and knowledge for formal or informal business establishments (Chepureenko, 2018). Entrepreneurs from families who operate in informal

businesses the entrepreneurs would have more knowledge and strategies in operating informal enterprises (Mustapha & Selvaraju, 2015). In Arregle et al. (2013), family influence essentially provides background experiences and motivation for entrepreneurs' operation in informal businesses. Corresponding studies highlighted that some women entrepreneurs prefer informal business operations due to family obligations (Franck, 2012; Khoury, Farraj & Sultan, 2018). Women entrepreneurs demonstrated that informal business operations facilitate quality time with family members and a sound balance between business and family compared to formal employment (Henning & Akoob, 2017; Williams, Shahid & Martínez, 2016). On the same note, Respondents 2, 4, and 9 indicated that they were influenced by family and friends to operate in informal businesses. Their experiences empirically paralleled current literature where family members offered social support and influence that affected entrepreneurs' career choices in informal entrepreneurship.

...my parents operate a small retail shop so I also operate like them. Since young, I always help out my family business and I know how to manage it. I learn where to get suppliers, how to do marketing, sell and buy from my family business. Therefore, when I grew up, I follow how they earn money. This is why I open this shop. The business operation structures are the same except that mine is more modernised and comprise many creative products. Some of the products are purchased from other countries, such as Thailand, Korea, and China. This makes my shop different from others. I think this is also an innovative challenge with my parents' style of business operation as well (Respondent 2).

I operate this business as I mentioned just now because I do not have to spend a lot of time on this business. I can check the customer's order once a day. Therefore, I have a lot of luxury time to do my own thing. From family perspective, this business is beneficial for me that I have more time for my husband and children. As this is my own business, I can control the operation at home. Therefore, I am able to accompany my children every day (Respondent 4).

...doing this business to feed my family. If I do not work, where can I get the money to feed my family? When I was young, my mother was also a street vendor who sold pastries like what I do right now. Actually, during the time when I knew my husband was retrenched from work, the first idea to earn money was to start up the pastries stall. This may be because I used to learn about this since young...I learned the skills to make pau and pastries from my mother. I believe my products are good and will allow me to get some income. This is how my mother earned money for us when I was young (Respondent 9).

Conclusively, this research demonstrated that the external factors influencing entrepreneurs' business operation in the informal economy are (i) rules and regulations, current opportunities in the informal economy, and (iii) social influences. Entrepreneurs hesitated to transition to the formal economy in avoiding compliance with complex, time-consuming, and costly rules and regulations. Moreover, entrepreneurs engaged in informal businesses upon recognising the opportunities in the informal economy. Such entrepreneurs strived to manipulate the identified opportunities with informal business operations, such as online platforms and non-formal resources. Lastly, entrepreneurs operated in the informal economy following social influences. The local culture of sharing provided an interactive platform for entrepreneurs to obtain many potential customers and informal business opportunities. Moreover, family and friends denoted social capital that significantly influenced entrepreneurs' knowledge of informal businesses. Family and peer support were also deemed substantial for entrepreneurs' informal business establishment and operation.

4.4 INTERNAL FACTORS: TRANSITION

From governmental perspectives, the transition of informal entrepreneurship to the formal counterpart is crucial as formalisation would optimise the national economy through tax payment (Dzansi & Tasssin, 2014; Pickhardt & Prinz, 2012). The transition is also significant for entrepreneurs themselves (Chepureenko, 2018; Baicu & Corbu, 2016; ILO, 2015b). Several factors influence entrepreneurs' business transition from the informal economy to the formal counterpart. This section discusses the internal factors motivating local informal entrepreneurs' transition to the formal economy. Based on the interviews, the internal factors driving local entrepreneurs' transition were classified into two themes: self-actualisation and intolerance of informal economy practices. In this research, the internal factors also represented the push factors originating from entrepreneurs' thoughts and feelings to formalise businesses. The themes and sub-themes are presented in Table 4.3 and discussed in subsequent sections.

Table 4.3 Internal factors: Transition Themes and Sub-themes

Theme	Sub-theme
Self-actualisation	<ul style="list-style-type: none"> • Business goals
Intolerance of Informal Practices	<ul style="list-style-type: none"> • Bribery and corruption in the informal Economy

4.4.1 SELF ACTUALISATION

In the motivation theory, individuals possess personal goals that require accomplishment (Ryan & Deci, 2000). Self-actualisation denotes the motivation to realise individual potential and achieve specific needs and goals (Maslow, 1943). Self-actualisation also implies individual tendencies towards self-development (Krems, Kenrick & Neel, 2017; Maslow, 1943). Maslow utilised the term 'self-actualisation' to describe the desire leading to the realisation of individual capabilities (Maslow, 1943). In entrepreneurship studies, entrepreneurs' self-actualisation represents what the individuals intend to be and aim for in actualising personal desires (Krems, Kenrick & Neel, 2017).

Informal entrepreneurs reflect personal goals that need to be realised (Gard et al., 2014; Williams, 2009). In this research, informal entrepreneurs perceived the transition from a different context (the formal economy) to realise personal goals. Some entrepreneurs chose to transition from informal to formal economies to become formal entrepreneurs and manifest the desire to formalise businesses following Tassin (2014). Self-actualisation would also alter informal entrepreneurs' perceptions and induce novel business operation perspectives in the formal economy post-transition (Floridi & Wagner, 2016; Harms et al., 2014). Based on the interviews, respondents transitioned from informal to formal economies to manifest business goals.

Most respondents demonstrated the determination to achieve goals through improved business growth and reputation by transitioning to the formal economy. Respondent 1 transitioned to the formal economy following the desire to own a shop. The respondent could accomplish this goal through informal business operation for potential customers while gradually transitioning to formal entrepreneurship with sufficient profitability to purchase a shop and engage in the formal economy. The experiences shared by Respondent 1 corresponded to Laguna, Alessandri and Caprara (2016) where goal attainment represents entrepreneurs' intention to demonstrate competence in self-actualisation.

My goals are to buy myself a shop premise. This is because, in some drama or tv shows, there are shops that are decorative and attractive. If you work in such an environment, you will feel satisfaction. Therefore, one of my goals is to have my own flower shop. I actually made it. At first, I was doing informal business, such as setting up a stall and selling flowers. It is like what we usually find during Valentine's Day, a stall selling flowers at the roadside. Although I dreamed of having a shop, I didn't have the money to buy a shop. This is why I started informally with the aim to earn some money and build my customer base. After I earned enough money, I bought a shop and go into formal. I am so happy and satisfied that I actually accomplished my goal (Respondent 1).

Another goal influencing informal entrepreneurs' transition to the formal economy is business growth (OECD, 2007; Dzansi & Tasssin, 2014). Most respondents highlighted business growth considerations in both informal and formal economies. In Farrell (2004), formalised businesses lead to business expansion compared to informal economy counterparts. Similarly, OECD (2007) highlighted entrepreneurs' intention towards business growth for potentially formalised companies. Formalisation by transitioning from the informal to the formal economy promotes long-term business growth (OECD, 2007). Tassin (2014) elaborated that transitioning to the formal economy might not result in short-term business growth albeit with sustainable entrepreneurial benefits. For example, formal entrepreneurs could promote businesses and gain more customers for high profitability (ILO 2017). Based on the interviews, all the respondents asserted their desire for business growth and subsequent transition to the formal economy. The following quotes exemplify respondents' actualisation of business expansion goals:

I transitioned to the formal economy because I find that I can gain more customers if I am doing a formal business than the informal business. For example, I can promote my business because I have a company name. It is a formal business so I can promote it but if it is an informal one, I am scared of being reported by other people, such as my colleagues. Therefore, I find doing formal business is an opportunity for me to reach more customers and to have access to a wider market (Respondent 3).

I formalised my business when I realised that my customer is increasing. In informal business or at the stall, I could not manage to serve every customer efficiently. Thus, I decided to formalise my business and employ some workers to help me. Initially, I did not have the plan to formalise because I was anxious if I could not manage to run a formal one because formal or bigger business involves more expenses. These expenses vary, such as employing workers, rentals, and ingredients. However, when I thought about it from another perspective, that if I remained informal, my customers would turn away because they would have to wait in a long queue. Then, I told myself to try out formalising the business. I had to keep on encouraging myself and tell myself I am able to make it. After formalisation, I am happy because I realise that doing formal business is a sense of accomplishment. I finally succeeded in the transition from informal to formal, growing from the small stall to a bigger business (Respondent 8).

I transitioned to the formal economy because I wanted to expand my business. It is easier to explore other strategic locations in the province by formalising the business and plan for expansion. For instance, I opened my first shop at Lorong Made preparations there and I

opened another one nearby Farley supermarket...Actually, since young, the desired business model that I always wanted to achieve was franchising. If doing as an informal one, people easily copy your idea and start up the same business to compete with you. However, if you turn into a formal business, you can plan to operate using a franchise system. In my opinion, franchising is the best method for every businessperson to systematically and effectively expand his or her business. Franchising allows you to establish a brand name and promote it to gain recognition from the public. This will become a strong marketing tool This is why I formalise my business. I want to spread my business everywhere and make them sustainable (Respondent 15).

4.4.2 INTOLERANCE OF INFORMAL PRACTICES

The next internal motivation that influences entrepreneurs' transition to the formal economy is intolerance involving informal economy practices. Following Williams, Horodnic and Windebank (2015), informal economic activities are outside the control of government regulations. Informal enterprises are also often associated with negative implications following non-formal business practices (Webb et al., 2009). Governments are concerned about informal entrepreneurship activities as a means of tax avoidance with adverse social implications (Al Mamun et al., 2016; Williams & Nadin, 2010). For example, informal entrepreneurship is often associated with inadequate informal employment conditions that compromise social cohesion and instigate unfair competition (Leal Ordóñez, 2014; Torgler & Schneider, 2009; Zahiid, 2018). Informal entrepreneurs also face multiple constraints, such as bribery and corruption in informal business operations (Sharma & Biswas, 2018). Based on the interviews, several respondents conceded that they transitioned to the formal economy due to several informal economy barriers. The respondents refused to tolerate bribery and corruption issues in the informal economy and chose to formalise their businesses.

4.4.2.1 BRIBERY AND CORRUPTION IN THE INFORMAL ECONOMY

Past research highlighted the corruption-informality correlation (Ouédraogo, 2017; Webb et al., 2009). Based on Wei (1997), the informal entrepreneurship size impacts the corruption level. A large-scale informal sector inevitably instigates bribery and corruption (Gupta, Davoodi & Alonso-Terme, 2002). Additionally, Saad (2014) stated that bribery and corruption in the informal economy substituted specific transaction costs in the formal economy. In Svensson (2003), informal entrepreneurs need to pay bribes in obtaining public services. Bribery could be in the form of money or “gifts” (Malaysian

Anti-Corruption Commission, 2016). Thai and Turkina (2013) also indicated that the adverse implications of the informal economy, such as bribery and corruption substantially impact entrepreneurs. Based on the interviews, two of the respondents mentioned encountering bribery and corruption issues while operating informal businesses. For example, the individuals paid bribes to avoid penalties when their unregistered business transactions were detected.

I went into the formal economy because I had enough with the bribery issues with my informal business. I feel it is unfair that the people keep on coming and causing trouble with my operation. It is not only the gangster but the officers also come to collect bribes from us. For gangster, they want us to pay them “protection fee” because we set up the stall within their premise. For officers, they want us to pay them some money or else they will issue us penalty notices for operating business without a license. I mean, there are also other people who do the same as me, why do they have to target me and keep on urging money from us. It is unfair. We only earn some income to feed our family. When they come, it means all our effort of the day is gone, that we have to give the hard-earned money to them. I just had enough with this issue and decided to register my business, where at least the officer has no reason to urge money from me anymore (Respondent 7).

Honestly, I had a few informal businesses before and all were doing well. When your business is good, people will get jealous. They will report to the officers. In order to avoid being forced to close down, we have to give some “gift” to the “person in charge”... If you pay the bribes once, you have to continue doing that in order to maintain your business. Sometimes, the person will ask you to give money directly. This is very frustrating. However, what hastened me to quickly transition to informal business is that I feel tired of entertaining these governors. It is not only you spend the money to settle the issues, they will come to your shop and you are forced to entertain them. During that period of time, I spend my time with this kind of people and have no time for my family. Finally, I just want to quit this circle and close down all of my informal businesses. I moved to a new place and started a formal one (Respondent 11).

Resultantly, respondents were reluctant to pay bribes and entertain public officers. Such intricacies caused the individuals to convert their informal businesses to formal ventures. The findings proved that bribery and corruption would reduce informal entrepreneurs' income. Based on the cost-benefit analysis, high costs and low revenues potentially reduce entrepreneurs' desirability to perpetuate business operation in the informal economy. For example, Respondent 11 admitted to entertaining public officers. Svensson (2003) termed such dealings as visibility. Some of the public officers exploited their discretionary powers to extract the maximum amount of bribe money from

informal businesses (Malaysian Anti-Corruption Commission, 2016). Ouédraogo (2017) elaborated that most informal entrepreneurs could not refuse to pay the bribes as their business operations could be shut down (similar to Respondent 11). Regardless, extensive dealings with public officers and the ability to pay bribes would generally lower entrepreneurs' willingness to tolerate such practices (Svensson, 2003). Eventually, the entrepreneurs chose to transition to the formal economy.

Conclusively, this research revealed the internal factors influencing entrepreneurs' transition from the informal economy to the formal counterpart to be self-actualisation and intolerance of informal practices. Self-actualisation denotes the entrepreneurs' determination in actualising business goals. As different entrepreneurs demonstrated distinct goals, entrepreneurs engaged in the formal economy to pursue specific goals (business growth). The entrepreneurs could promote their businesses with registered business names and access wider formal resources and customer bases for business advancement. Moreover, entrepreneurs choose to transition from the informal economy to the formal counterpart following their unwillingness to tolerate negative informal practices, specifically bribery and corruption issues. Bribery and corruption proved cumbersome for informal entrepreneurs. As informal entrepreneurs were unwilling to shoulder such costs, the individuals engaged in formal entrepreneurship to avoid adverse implications (bribery and corruption) in informal businesses.

4.5 EXTERNAL FACTORS: TRANSITION

Apart from internal drivers, external factors also 'pull' entrepreneurs to transition from the informal economy to the formal counterpart. As opposed to internal factors, researchers believed the external environmental elements to monitor entrepreneurs' behaviour towards formalised businesses. This section elaborates on the external factors influencing local informal entrepreneurs' transition to the formal economy. Based on Appendix 6, most respondents indicated the presence of family and peer influences and their perspectives of formal economy penalties and protection. Thus, the external factors influencing local entrepreneurs' transition to the formal economy are classified into two themes: (i) rules and regulations and (ii) social influences. External factors also denote the 'pull' factors that attract entrepreneurs' adaptation to formalities. The themes and sub-themes are presented in Table 4.4 and discussed in subsequent sections.

Table 4.4 External factors: Transition Themes and Sub-themes

Theme	Sub-theme
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Rules and Regulations	<ul style="list-style-type: none"> • Penalties • Protection
Social Influences	<ul style="list-style-type: none"> • Family and friends • Suppliers and customers

4.5.1 RULES AND REGULATIONS

Policymakers resembling ILO (2015) emphasised the significance of rules and regulations in encouraging the transition of informal entrepreneurship to the formal counterpart. Past researchers also suggested several policies to eliminate informality so that informal entrepreneurs are compelled towards formalisation (Dibben, Wood & Williams, 2015; Shehryar & Williams, 2013; Williams, 2005). Rules and regulations are essential in managing informality (ILO, 2015; Potsiou, 2014; Torgler & Schneider, 2009). Current literature also provided recommendations for the government in facilitating the transition of informal entrepreneurship to the formal economy (Bruhn & McKenzie, 2014; Sutter et al., 2017). Schneider and Enste (2002) proposed that the government should reduce regulatory barriers for informal entrepreneurs to understand and comply with formal economy regulations. The goals to reduce such restrictions serve to encourage more informal entrepreneurs' transition to the formal economy (Dau & Cuervo-Cazurra, 2014). For example, Bruhn and McKenzie (2014) recommended that the government simplify business registration regulations and motivate informal business owners to register their businesses with public authorities.

Notwithstanding, Williams and Shahid (2016) contended that deregulations would adversely impact the economy. Mehtap, Ozmenekse and Caputo (2019) elaborated that rules and regulations are employed to monitor and control behaviours in the economy. Hence, governments that reduce or eliminate the restrictions could catalyse more business operations and create aggressive competition in the economy. De-regulations also induce consumer protection concerns when informal enterprises begin selling sub-standard products in the formal economy (Bakhshoodeh, 2017). Some literature also suggested that the government should enforce more rules and regulations in eliminating the informal economy (Dibben, Wood & Williams, 2015; Tokman, 2011). Perceivably, the enforcement of rules and regulations would ensure informal entrepreneurs' transition to the formal economy.

4.5.1.1 PENALTIES

Based on the arguments, this research revealed the local government to outline optimal policies in eliminating informal entrepreneurship and facilitating the entrepreneurs' transition to the formal

economy. For example, SSM promotes a convenient online system for business registration. The government has also reinforced the detection of and penalties for street vendors who are operating without business licenses (SSM, 2018). Based on the interviews, most respondents highlighted the impacts of legal compliance with formalisation. The individuals transitioned to the formal economy in avoiding the penalties for operating unregistered businesses. The respondents formalised their businesses following the fear of being penalised by public authorities. In preventing such penalties, the individuals decided to register their businesses and operate as formal entrepreneurs. Respondents 2 and 4 shared their experiences as follows:

I formalised the business because the law says so. Initially, I operated in the informal business and kept receiving penalties for running the business without registration. I can recall that I received the bill about every week, and the accumulated cost indeed was quite expensive. Therefore, I decided to register my business so that I would not be charged anymore for doing business without business licenses. So, when I went to pay the penalties, I asked the officer to give me advice on how to register my business and I proceeded to the government office to register it. Right now, I have already become a formal business owner (Respondent 2).

I am doing electrical services...I transitioned to formal business because the nature of my business requires law compliance. If I do not follow the law, I cannot get things done... When I want to do wiring for a building, I need to follow the procedures to connect the electricity from the main power station to the residential house. I have to go to Sarawak Energy and submit the housing plan and apply for permission to pull the wiring. If I do not inform them about the application, it is illegal. They can sue you for stealing electricity, which is a crime. This may result in serious penalties of fine and jail time...Therefore, I have to formalise my business in order to do all the tasks required...Of course informal business cannot apply for that, thus I have to transition into formal one in order to do so (Respondent 4).

4.5.1.2 PROTECTION

Entrepreneurs also choose to transition from the informal economy to the formal counterpart for legal protection (ILO, 2015a; Williams, 2015). Some entrepreneurs demonstrate positive attitudes towards formal policies and regard formal rules and regulations as guidelines for daily business management and operation (Williams & Nadin, 2014). Following Webb et al. (2013), codified laws are established to monitor entrepreneurs' behaviours in the formal economy. Such laws also protect entrepreneurs in

the wake of formal economic disputes (Williamson & Kerekes, 2011). Based on the interviews, entrepreneurs who intended to legally protect themselves and their employees transitioned from the informal to the formal economy. For example, labour laws are implemented to protect workers' rights and state entrepreneurs' responsibilities (Ojo, 2019). Meanwhile, informal employment does not comply with such regulations and are is unprotected from adverse implications (Charmes, 2012; ILO, 2013; Muthusamy & Ibrahim, 2016). Informal workers lack social protection and employee rights with no decent working conditions (ILO, 2015a). Thus, individuals who transition to formal entrepreneurship and register with local labour organisations could benefit from social protection and optimal employment conditions in the formal economy (Assenova & Sorenson, 2017; ILO, 2015a).

In line with current research, Respondent 14 transitioned to the formal economy to protect his workers' rights and social welfare. For example, his workers could receive compensation from the local social security organisation in the event of workplace injuries. Respondent 14 stated as follows:

Another reason that motivated me to transition to the formal economy is my workers. When I employed about 20 workers, I decided to register my business and registered my workers with the labour organisation. As my business is doing the wooden craft, so my carpenters always have to deal with heavy machines, such as cutter, which they can easily get hurt. If they are not registered with the Social Security Organisation (SOCSO), they cannot get the medical benefits if they are injured. Therefore, I had to register my workers with SOCSO...Registering my workers is also good for me. For example, they can get reimbursement and free medical treatment from the government, which also indirectly saves my money for paying their medical costs. In addition, I also protect myself from being sued by the workers and labour department for not registering my employees should unprecedented injuries happen at work (Respondent 14).

4.5.2 SOCIAL INFLUENCES

As previously mentioned, social influence implies one of the external factors influencing entrepreneurs' business operation in informal entrepreneurship. Likewise, positive social influences would affect entrepreneurs' transition from the informal economy to the formal counterpart (Adebanji et al., 2017; Ogunsade & Obembe, 2016). Hofstede (2001) stated that entrepreneurial activities are affected by immediate environments and social beliefs. Regarding business operation processes,

entrepreneurs would engage in formal businesses within social contexts. Therefore, the individuals would gain business operation knowledge within the formal economy (Mukorera, 2019). Some of the entrepreneurs would gradually alter their perceptions of formal businesses and transition to the formal economy. Following Webb et al. (2013), people who prefer codified laws are more inclined towards formal entrepreneurship.

Social capital involving family, friends, customers, and suppliers significantly impacts knowledge dissemination in the formal economy (Sengupta, 2010). Based on Tassin (2014), entrepreneurs retained informal business operations following the lack of familiarity with formal entrepreneurship. Fallah (2014) contended that entrepreneurs who lack formal economy-oriented information and subsequent assessments encounter difficulties in transitioning to formal entrepreneurship. Thus, the people surrounding entrepreneurs are essential in introducing the individuals to the formal economy (Choukir & Hentati, 2013; ILO, 2017; Sandada, 2014). Based on the interviews, family, friends, customers, and suppliers significantly catalysed informal entrepreneurs' transition to the formal economy.

4.5.2.1 FAMILY AND FRIENDS

Based on the interviews, some respondents mentioned that family and peer influence encouraged their transition to the formal economy. The finding corresponded to Webb et al (2013) where family and friends highly influence entrepreneurs' decision-making processes. Arregle et al. (2013) explained that family members and friends are inextricably linked to entrepreneurs who are easily influenced by external beliefs and norms. Moreover, the support and advice from family and friends are significant in encouraging informal entrepreneurs' transition to the formal economy (Xheneti, Madden & Karki, 2017). For example, entrepreneurs would consult the nearest individual for advice and sufficient capital in transitioning to formal entrepreneurship (Karki & Xheneti, 2018; Williams, Shahid & Martínez, 2016).

Hillenkamp, Lapeyre and Lemaître (2013) asserted that entrepreneurs' commitment towards the family, such as improving life qualities also motivate business formalisation and expansion within the formal economy. Based on the interviews, informal entrepreneurs with family and friends engaged in the formal economy would be determined to follow suit. Such family and friends functioned as a medium to share information and guide informal entrepreneurs towards business formalisation (Sengupta, 2010). Respondents 5, 6, and 10 shared their experiences of family members and friends who encouraged their transition to the formal economy. The individuals responded as follows:

I formalised my business because of my family members. My father-in-law is a successful entrepreneur. He advised me to start up a proper business than the informal one. He encouraged me to gain some experience at his workplace and slowly he wants me to set up my own formal business when he thinks I am independent enough to manage a company. I really thank him a lot and he is a very important person in guiding me to success (Respondent 5).

My husband is always supportive when I planned to run a tuition centre...When I recruited a lot of students, I asked him how to solve the problem because the limited space in my house restricted me from meeting the increasing demand. He suggested to me to rent a shop lot and turn into a formal tuition centre. Therefore, he is the one who initiated the idea of operating a professional tuition centre...I could also rely on him when going around choosing for the best location, applying for a loan to buy the premise, and so on. My husband is a businessperson and knows how to do proper business, therefore he is the one responsible to help me set up my tuition centre, including renovating the premise into classes and all that...Another support I received when opening the tuition centre was from my colleague. They were willing to join me and help me to teach other subjects. If they didn't come as tuition teachers, I would have been incapable of teaching every subject on my own. Therefore, they are also important for me in starting up my tuition centre successfully (Respondent 6).

During the transition process, my brother did help me a lot... Initially, I could not relate the differences in doing business informally or formally. Then, my brother explained to me the benefits and disadvantages of doing business informally and doing business formally...He sponsored me the capital to rent the warehouse, he also taught me how to recruit workers... I did not know how to register the business, and he was the one who helped me with registration application and submission, filling in the forms, and completing the registration on my behalf (Respondent 10).

4.5.2.2 SUPPLIERS AND CUSTOMERS

Based on current literature, suppliers and customers essentially catalyse informal entrepreneurs' transition to formal businesses (Williams, Shahid & Martínez, 2016; Tassin, 2014). In Tassin (2014), formalisation provides businesses with identity and elevates customers' and suppliers' confidence when engaging with entrepreneurs. Suppliers and customers prioritise business trust in transactions. Such trust could be established from business reputations, proper business bank accounts, or the business licenses obtained from public authorities. Laeequddin and Sardana (2010) affirmed that the

ideal approach to manage and develop sustainable supplier-customer rapport should rely on trust. Following the arguments, transitioning into the formal economy enable entrepreneurs to maintain long-term supplier-customer relationships. Additionally, suppliers' and customers' bargaining power are considerably significant in catalysing entrepreneurs' shift to the formal economy (WIEGO, 2019). Most suppliers and customers prefer engaging with formal entrepreneurs (Tassin, 2014).

Apart from trust concerns, suppliers, and customers require proper transition documentation. Such documentation is not commonly observed in informal entrepreneurship as informal entrepreneurs do not retain adequate transaction records (Adele et al., 2015; Williams, 2007a). Hence, entrepreneurs should register their businesses to acquire a legal business name and number for the billing system. A systematic billing system is vital for accounting and tax purposes and enables suppliers the entrepreneurs to trace recorded transactions (Abiola et al., 2017). Based on the interviews, Respondents 3 and 13 mentioned that the suppliers and customers encouraged the transition to the formal economy. Respondent 3 indicated trust issues involving formalisation while Respondent 13 highlighted suppliers' and customers' requirements as the key determinants of business formalisation.

...because my customers are those companies, therefore I have to register myself to get a business license so they trust me and allow me do the contracts. When I was a freelancer, I could not get these big projects from the company. Therefore, I had to transition to formal entrepreneurship in order to get the business license and obtain tender with these companies (Respondent 3).

I registered my business because my suppliers encouraged me to get a business license so it would be more convenient for the suppliers to issue invoice and bank in money to us. First, if I remained as an informal one, I couldn't open a current bank account for my business. Usually my customers, especially from the government department, will bank in the lump sum once a month. Therefore, they need to have our bank account number for online money transfer rather than cash term. Secondly, the suppliers need to have our business name and business identity number in order to issue invoice, purchase order, and provide receipt to us. If I do not register my business, my supplier also will not be happy or the supplier will not likely deal with me, but I need their goods and services in order to do my business. Therefore, I had to register my business and give my business number to them in order to get continuous supplies from them. Such conditions is also another reason why I transition to the formal economy (Respondent 13).

Conclusively, this research revealed the external factors influencing entrepreneurs' transition from the informal economy to the formal counterpart to be rules and regulations and social influences. Sufficient deregulations encouraged the transition of informal entrepreneurs to the formal economy following the reduction of entry barriers. Strict legal enforcement that detected a high number of informal businesses encouraged entrepreneurs' transition to the formal economy. Specifically, the entrepreneurs chose to avoid penalties from local authorities for operating unregistered businesses.

Some entrepreneurs transitioned to the formal economy for formal institutional protection with codified rules and regulations. Entrepreneurs could safeguard themselves and their employees with legal guidelines and enjoy social protection upon formalising their businesses. Furthermore, entrepreneurs transitioned to the formal economy following social influences: family, friends, suppliers, and customers. The support and advice from family and friends also facilitated the transition process. Additionally, entrepreneurs formalised their business operations to gain suppliers' and customers' trust and establish sustainable business relationships.

CHAPTER 5: CONCLUSIONS AND IMPLICATIONS

5.1 CHAPTER OVERVIEW

The previous chapter discussed the research findings following the research questions. This final chapter summarises the entire research with theoretical and practical implications. Finally, this chapter presents the research limitations and recommendations for future studies.

5.2 SUMMARY OF THE RESEARCH

This qualitative research aimed to identify the factors influencing entrepreneurs' operation in the informal economy and transition to the formal counterpart. The study data were gathered from informal entrepreneurs and entrepreneurs who had already transitioned to the formal economy to determine the internal and external motivators influencing entrepreneurs' engagement in the informal economy and transition to the formal economy within Sarawak.

In line with the study findings, entrepreneurs were intrinsically motivated to operate in the informal economy due to self-motivation, necessity-driven factors, and personal constraints. The researcher identified the similarity of internal motivations for the local (Sarawakian) informal entrepreneurs to operate in informal entrepreneurship. Self-motivation denotes the desire to attain autonomy, flexibility, and freedom through informal businesses. Meanwhile, necessity drivers involved survival needs: (i) income generation from informal entrepreneurship for sustenance and (ii) unemployment factors (retirement, job dissatisfaction, inability to find formal employment, and retrenchment). The research findings also demonstrated inadequate personal control, such as limited skills and resources in transitioning to the formal economy.

The external factors motivating entrepreneurs' retention in the informal economy involved (i) rules and regulations, (ii) current opportunities in the informal economy, and (iii) negative social influences. The research findings revealed that entrepreneurs were reluctant to comply with rules and regulations following specific complications (time and cost-wise). Additionally, entrepreneurs who could recognise the opportunities in informal entrepreneurship potentially engaged in the informal economy. For example, online platforms provided opportunities for informal entrepreneurs to operate their businesses, fulfil customer demands, and flourish in the informal economy. The aforementioned motivations corresponded to past research. Notwithstanding, this research presented novel findings on the influence of external cultures towards local entrepreneurs' decision to operate in the informal

economy as local cultures differed across other countries. Additionally, social influences involving communal cultures, customers, suppliers, family members, and friends functioned as catalysts for entrepreneurs' operation in the informal economy. The novel findings implied the Sarawakian culture and local community acceptance of informal entrepreneurship. In other words, the local communities in Sarawak acknowledged and engaged in informal entrepreneurship.

This research also identified the internal motivations of entrepreneurs' transition from the informal economy to the formal counterpart, such as self-actualisation and intolerance of informal economy loopholes. Resultantly, entrepreneurs perceived the need to attain self-actualisation in transitioning to the formal economy and fulfilling personal and business goals (the desire to own a shop and increase business growth). Concerning business growth, entrepreneurs believed that business formalisation facilitated access to formal resources wider market bases and business expansion to different provinces. Notably, some entrepreneurs were compelled to operate in the formal economy following the aversion to informal economy practices: bribery and corruption. The individuals disengaged from the informal economy to avoid such illegal practices that constantly interrupted their business activities.

Lastly, entrepreneurs were externally 'pulled' by rules and regulations and social influences to transition to the formal economy. The findings highlighted the impact of rules and regulations on informal entrepreneurs' transition to formal businesses. Entrepreneurs would formalise businesses to avoid informal business operation penalties. Meanwhile, entrepreneurs received protection, such as medical claims and compensations with adherence to the relevant laws. Business formalisation proved necessary in line with the rules and regulations in business activities: obtaining government tenders, accessing financial services, and fulfilling exportation requirements. This research also revealed the significance of family members, friends, suppliers, and customers in encouraging entrepreneurs' transition to the formal economy.

5.3 RESEARCH IMPLICATIONS

This section discusses the research implications originating from the research findings elaborated in Chapter Four. The primary study implications are divided into two aspects: theoretical and practical. Subsequent discussions of the implications would be outlined in the following sub-sections.

5.3.1 THEORETICAL IMPLICATIONS

Theoretically, this research strived to bridge the literature gap by identifying the internal and external factors influencing entrepreneurs' operation in the informal economy and transition to the formal counterpart (Webb et al., 2013; Williams & Nadin, 2012; Williams & Shahid, 2006). Past studies were mostly performed in foreign countries, such as the UK (Williams, 2009), Africa (Adom & Williams, 2012), and India (Williams & Gurtoo, 2011) while some counterparts were based in the Malaysian Peninsula (Franck, 2012). As no relevant studies have been conducted in Sarawak to the best of the researcher's knowledge, this study pioneered the examination of informal entrepreneurship in Sarawak. The findings also contributed knowledge of the motivators influencing local entrepreneurs' operation in the informal economy and transition to the formal counterpart.

The findings also supported the push and pull theory in entrepreneurship literature. For example, the researcher concluded self-motivation, necessity-driven factors, and personal control to be the push factors while rules and regulations, informality opportunities, and social influences were the pull factors influencing entrepreneurs' engagement in the informal economy. Moreover, self-actualisation and entrepreneurs' intolerance of informality also internally pushed the transition to formal businesses. Meanwhile, laws and regulations and social influences implied the external factors 'pulling' informal entrepreneurs into formal entrepreneurship following current literature (Djafar, Garba & Mansor, 2013; Giacomini et al., 2011; Kiggundu & Pal, 2018). Overall, the findings supported the push and pull theory utilised in this research to justify entrepreneurship determination.

The empirical findings also offered novel insights into the local cultures that affected entrepreneurs' operation in the informal economy. Social capital proved highly influential in determining entrepreneurs' retention in informal entrepreneurship and transition to the formal economy. Resultantly, the local community members' familiarity with informal business practices served as a normative influence in accepting informal enterprise establishments in Sarawak. Specifically, the community imitated how other individuals operated informal businesses and participated in informal entrepreneurship for relatedness. The situation justified the prevalence of informal entrepreneurship in Sarawak. Moreover, positive social influences would affect entrepreneurs' transition from the informal economy to the formal counterpart (Adebanji et al., 2017; Ogunsade & Obembe, 2016). Social capital encompassing family, friends, customers, and suppliers significantly impacted knowledge-sharing among entrepreneurs in the formal economy (Sengupta, 2010). The entrepreneurs would then gain knowledge of business operations within the formal

economy (Mukorera, 2019). Gradually, some of the entrepreneurs would alter their perceptions of formal entrepreneurship and transition to the formal economy.

5.3.2 PRACTICAL IMPLICATIONS

In line with the research findings, entrepreneurs and government bodies should promote the transition of informal entrepreneurs to the formal economy and identify the root causes of informal entrepreneurs' engagement in informal entrepreneurship (intricate rules and regulations). Consequently, relevant government agencies could implement novel policies or loosen bureaucracy barriers for increased formal economy engagement.

Entrepreneurs themselves presented practical implications from the shared experiences. This research revealed the significance of transition for entrepreneurs, such as business advancement, access to formal financial services, and legal protection under formal institutions. The formal economy encompassed richer resources and opportunities that could be exploited by entrepreneurs in terms of customer base, market opportunities, financial capital, and human resources (Barbosa, Pulido & Ayala, 2019). Such resources proved substantial for informal entrepreneurs' transition to formalised and successful businesses (Onyima & Nkechi, 2017).

From governmental perspectives, this research addressed the informal entrepreneurship phenomenon in Sarawak to acknowledge their contribution to the state economy. Government bodies could holistically address informal entrepreneurship by understanding the factors motivating entrepreneurs' operation in the informal economy and transition to the formal counterpart. Most entrepreneurs currently engage in the informal economy due to inadequate skills and resources to transition to the formal economy (Onyima & Nkechi, 2017). Hence, the government should provide appropriate support structures, such as incentives for informal entrepreneurs to enhance their business growth and transition to formal entrepreneurship (Sutter et al., 2017).

For example, business registration procedures, such as administrative barriers and paperwork could be simplified to encourage more informal entrepreneurs and legalise their businesses (Demenet, Roubaud & Razafin, 2016). As informal entrepreneurs have incorrectly conceived business registrations to be time-consuming and intricate, this research proposed that the government form agencies in assisting business registration processes. For example, a publicly accessible website could be developed for informal entrepreneurs to register their businesses online (Tassin, 2014).

5.4 RESEARCH LIMITATIONS

This research encountered several limitations. The study is only emphasised Sarawak, thus limiting the generalizability of findings. Nevertheless, the findings could prove relevant to other countries, specifically developing nations with similar socio-cultural environments. The research sample size posed another limitation. For example, this study only selected 15 informal entrepreneurs and 15 entrepreneurs who had already transitioned to the formal economy. As the sample size might not represent the entire population of informal entrepreneurs and entrepreneurs who had already transitioned to formal entrepreneurship in Sarawak, larger sample sizes could be provided for enriched data (Smith, 2004).

5.5 RECOMMENDATIONS FOR FUTURE STUDIES

Based on the research limitations, several recommendations were provided for future studies. Firstly, this research could be replicated in other Malaysian states and developing countries to improve the study credibility and transferability. Future studies could also utilise quantitative approaches to assess the research topic, such as the measurement of the factors influencing entrepreneurs' transition to the formal economy. Moreover, future research could increase the sample size for richer data input. Ritchie, Lewis and Elam (2003) stated that researchers should perform not more than 50 interviews to manage analytical complexities. According to Ia (2004), big sample sizes generate findings that are highly representative of the social phenomenon under study. Thus, future studies could select more participants in different business sectors for high research generalisability.

5.6 CONCLUSION

Overall, this research explored the informal entrepreneurship phenomenon in Sarawak to identify the internal and external factors influencing entrepreneurs' operation in the informal economy and transition to the formal counterpart. The research theoretically contributed to relevant study areas with additional knowledge in line with past and current literature. Specifically, this research revealed self-motivation, necessity-driven factors, and personal constraints to be internal factors while laws and regulations, current opportunities, and social influences were the external motivators influencing entrepreneurs' engagement in the informal economy. Self-actualisation and intolerance of informal practices internally influenced entrepreneurs' formalisation-oriented decisions. Meanwhile, laws and

regulations and social influences implied the external factors influencing entrepreneurs' transition to the formal economy.

The empirical findings outlined some implications for entrepreneurs and the government. Entrepreneurs were encouraged to transition from informal to formal entrepreneurship towards business growth, increased formal resources, and legal protection. Such transitions would also facilitate the government to implement the digital economy strategy. The research also practically contributed to relevant government bodies by recommending holistic policies and support structures to increase entrepreneurs' transition to the formal economy. Summarily, this study addressed the research questions and attained the subsequent objectives.

Although this research generated valuable findings, more studies should be conducted in this study area to contribute more knowledge of informal entrepreneurship. Future studies could replicate this research in other Malaysian states or developing nations with quantitative research methods to confirm the research findings. Such studies should also incorporate bigger sample sizes and various business sectors for a higher representation of informal entrepreneurship and the transition to formal entrepreneurship.

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APPENDICES

Appendix 1: General Interview Questions

Interview Questions – Informal entrepreneurs

1. What are the internal factors influencing you to operate in the informal economy?
2. What are the external factors influencing you to operate in the informal economy?
3. What are the other factors influencing you to operate in the informal economy?

Interview Questions – Formal entrepreneurs

1. What are the internal factors influencing you to transition from informal into the formal economy?
2. What are the external factors influencing you to transition from informal into the formal economy?
3. What other reasons the influence you to transition from informal into the formal economy?

Appendix 2: Participant Information Form



Informal Entrepreneurship and Transition into Formal Entrepreneurship: The Case of Sarawak

PARTICIPANT INFORMATION STATEMENT

HREC Project Number:	HRE2018-0633
Project Title:	Informal Entrepreneurship and Transition into Formal Entrepreneurship: The Case of Sarawak
Chief Investigator:	<i>A/P Dr. Pauline Ho Poh Ling</i>
Student researcher:	<i>Ms. Janet Lee Von</i>
Version Number:	6
Version Date:	12/SEP/2017

What is the Project About?

- Over the past few decades, the informal sector has been recognized as an extensive and persistent feature of the developing world. The ubiquity of informal entrepreneurship is largely due to the ease of entry and low set-up cost. In recent years, there is a small but burgeoning body of entrepreneurship scholarship focusing upon entrepreneurship in the informal economy. Different socio-cultural and institutional arrangements have resulted in divergent views on the informal entrepreneurship studies among researchers. This study aims to identify internal and external factors that influence entrepreneurs operating in the informal economy, and entrepreneurs who transitioned to the formal economy. Institutional theory and motivational theory are used as theoretical foundations to explain why entrepreneurs operate in the informal sector and transition into the formal economy. A qualitative research methodology using interpretive paradigm will be adopted in this study. Data will be collected through semi-structured in-depth interviews with informal entrepreneurs and entrepreneurs who transitioned to become formal entrepreneurs in Sarawak. Thematic approach will be employed to analyse data collected. The findings of this study will have theoretical contribution in shedding light on the two theories combined to explain entrepreneurship process. The findings should be of significant interest to the policy makers to allow for evaluation and implementation of support programs and policies related to informal entrepreneurship.

Who is doing the Research?

- The project is being conducted by Ms Janet Lee Von.
This research project is funded by Curtin Malaysia Fee-Waiver.
No payment will be made to the participants.

Why am I being asked to take part and what will I have to do?

Informal Entrepreneurship and Transition into Formal Entrepreneurship: The Case of Sarawak

- We will have a 30-60 minutes interview with you. The interview will take place at a mutually convenient location. We will ask you questions about your reasons to choose operate in informal entrepreneurship or to transition into formal economy. There will be no cost to you for taking part in this research and you will not be paid for taking part. We will make a digital audio recording so we can concentrate on what you have to say and not distract ourselves with taking notes. After the interview, we will make a full written copy of the recording.

Are there any benefits' to being in the research project?

- There may be no direct benefit to you from participating in this research. However, we hope the results of this research will allow us to contribute knowledge we have about this related research areas.

Are there any risks, side-effects, discomforts or inconveniences from being in the research project?

- There are no foreseeable risks from this research project.

Who will have access to my information?

- The information collected in this research will be re-identifiable (coded). This means that we will collect data that can identify you, but will then remove identifying information on any data or sample and replace it with a code when we analyse the data. Only the research team have access to the code to match your name if it is necessary to do so. Any information we collect will be treated as confidential and used only in this project unless otherwise specified. The following people will have access to the information we collect in this research: the research team and, in the event of an audit or investigation, staff from the Curtin University Office of Research and Development.
- Electronic data will be password-protected and hard copy data (audio tapes) will be in locked storage.
- The information we collect in this study will be kept under secure conditions at Curtin University for 7 years after the research is published and then it will be destroyed.
- The results of this research may be presented at conferences or published in professional journals. You will not be identified in any results that are published or presented.

Will you tell me the results of the research?

- Results from this research will not be provided to you unless specifically requested.

Do I have to take part in the research project?

- Taking part in a research project is voluntary. It is your choice to take part or not. You do not have to agree if you do not want to. If you decide to take part and then change your mind, that is okay, you can withdraw from the project. You do not have to give us a reason, just tell us that you want to stop. Please let us know you want to stop so we can make sure you are aware of any thing that needs to be done so you can withdraw safely. With your permission, if you chose to leave the study we will use any information collected unless you tell us not to.

Informal Entrepreneurship and Transition into Formal Entrepreneurship: The Case of Sarawak

What happens next and who can I contact about the research?

- For further information about this research, please contact either: Associate Professor Dr. Pauline Ho (pauline.ho@curtin.edu.my) or Ms Janet Lee Von (janet.leevon@postgrad.curtin.edu.my).
- If you decide to take part in this research we will ask you to sign the consent form. By signing it is telling us that you understand what you have read and what has been discussed. Signing the consent indicates that you agree to be in the research project. Please take your time and ask any questions you have before you decide what to do. You will be given a copy of this information and the consent form to keep.

Curtin University Human Research Ethics Committee (HREC) has approved this study (HRE2018-0633). Should you wish to discuss the study with someone not directly involved, in particular, any matters concerning the conduct of the study or your rights as a participant, or you wish to make a confidential complaint, you may contact the Ethics Officer on (08) 9266 9223 or the Manager, Research Integrity on (08) 9266 7093 or email hrec@curtin.edu.au.

Appendix 3: Consent Form

Informal Entrepreneurship and Transition into Formal Entrepreneurship: The Case of Sarawak

CONSENT FORM

HREC Project Number:	HRE2018-0633
Project Title:	Informal Entrepreneurship and Transition into Formal Entrepreneurship: The Case of Sarawak
Chief Investigator:	<i>A/P Dr. Pauline Ho Poh Ling</i>
Student researcher:	<i>Ms Janet Lee Von</i>
Version Number:	5
Version Date:	12/SEP/2017

- I have read, the information statement version listed above and I understand its contents.
 - I believe I understand the purpose, extent and possible risks of my involvement in this project.
 - I voluntarily consent to take part in this research project.
 - I have had an opportunity to ask questions and I am satisfied with the answers I have received.
 - I understand that this project has been approved by Curtin University Human Research Ethics Committee and will be carried out in line with the National Statement on Ethical Conduct in Human Research (2007).
 - I understand I will receive a copy of this Information Statement and Consent Form.
- I consent that this interview can be audio recorded.

Participant Name	
Participant Signature	
Date	

Declaration by researcher: I have supplied an Information Letter and Consent Form to the participant who has signed above, and believe that they understand the purpose, extent and possible risks of their involvement in this project.

Researcher Name	
Researcher Signature	
Date	

Note: All parties signing the Consent Form must date their own signature.

Appendix 4: Ethical Clearance Approval



Office of Research and Development

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21-Sep-2018

Name: Pauline Ho
Department/School: School of Management
Email: Pauline.Ho@curtin.edu.au

Dear Pauline Ho

RE: Ethics Office approval
Approval number: HRE2018-0633

Thank you for submitting your application to the Human Research Ethics Office for the project **Informal Entrepreneurship and Transition into Formal Entrepreneurship: The Case of Sarawak**.

Your application was reviewed through the Curtin University Negligible risk review process.

The review outcome is: **Approved**.

Your proposal meets the requirements described in the National Health and Medical Research Council's (NHMRC) *National Statement on Ethical Conduct in Human Research (2007)*.

Approval is granted for a period of one year from **21-Sep-2018** to **20-Sep-2019**. Continuation of approval will be granted on an annual basis following submission of an annual report.

Personnel authorized to work on this project:

Name	Role
Lee, Janet Von	Student
Ho, Pauline	CI

Approved documents:

Document

Standard conditions of approval

1. Research must be conducted according to the approved proposal
2. Report in a timely manner anything that might warrant review of ethical approval of the project including:
 - proposed changes to the approved proposal or conduct of the study

- unanticipated problems that might affect continued ethical acceptability of the project
 - major deviations from the approved proposal and/or regulatory guidelines
 - serious adverse events
3. Amendments to the proposal must be approved by the Human Research Ethics Office before they are implemented (except where an amendment is undertaken to eliminate an immediate risk to participants)
 4. An annual progress report must be submitted to the Human Research Ethics Office on or before the anniversary of approval and a completion report submitted on completion of the project
 5. Personnel working on this project must be adequately qualified by education, training and experience for their role, or supervised
 6. Personnel must disclose any actual or potential conflicts of interest, including any financial or other interest or affiliation, that bears on this project
 7. Changes to personnel working on this project must be reported to the Human Research Ethics Office
 8. Data and primary materials must be retained and stored in accordance with the [Western Australian University Sector Disposal Authority \(WAUSDA\)](#) and the [Curtin University Research Data and Primary Materials policy](#)
 9. Where practicable, results of the research should be made available to the research participants in a timely and clear manner
 10. Unless prohibited by contractual obligations, results of the research should be disseminated in a manner that will allow public scrutiny; the Human Research Ethics Office must be informed of any constraints on publication
 11. Approval is dependent upon ongoing compliance of the research with the [Australian Code for the Responsible Conduct of Research](#), the [National Statement on Ethical Conduct in Human Research](#), applicable legal requirements, and with Curtin University policies, procedures and governance requirements
 12. The Human Research Ethics Office may conduct audits on a portion of approved projects.

Special Conditions of Approval

None.

This letter constitutes low risk/negligible risk approval only. This project may not proceed until you have met all of the Curtin University research governance requirements.

Should you have any queries regarding consideration of your project, please contact the Ethics Support Officer for your faculty or the Ethics Office at hrec@curtin.edu.au or on 9266 2784.

Yours sincerely



Catherine Gangell
Manager, Research Integrity

Appendix 5: Word Saturation, Word Cloud – Informal Entrepreneurship

1	Word	Length	Count
2	business	8	118
3	informal	8	62
4	operate	7	56
5	factors	7	49
6	economy	7	46
7	influencing	11	45
8	people	6	27
9	start	5	25
10	register	8	24
11	money	5	20
12	friends	7	19
13	years	5	19
14	therefore	9	18
15	think	5	18
16	children	8	17
17	education	9	17
18	external	8	16
19	gender	6	15
20	internal	8	15
21	level	5	15
22	participant	11	15
23	sectors	7	15
24	fruits	6	14
25	enough	6	13
26	online	6	13
27	house	5	12
28	services	8	12
29	fruit	5	11
30	order	5	11
31	plant	5	11
32	things	6	11
33	example	7	10
34	formal	6	10
35	already	7	9
36	based	5	9
37	customer	8	9
38	every	5	9
39	using	5	9
40	actually	8	8

actually agriculture already always based better beverage broker

business

certain check children choose coffee

common company complicated culture customer customers different **economy**

education enough especially every everyday everyone example **external** facebook

factors family female follow formal friend **friends** fruit fruits **gender**

government **house** housewife however husband income **influencing**

informal **informally** information **instagram** **internal** learn **level** license

limited manage **money** mother online **operate** operating operation order

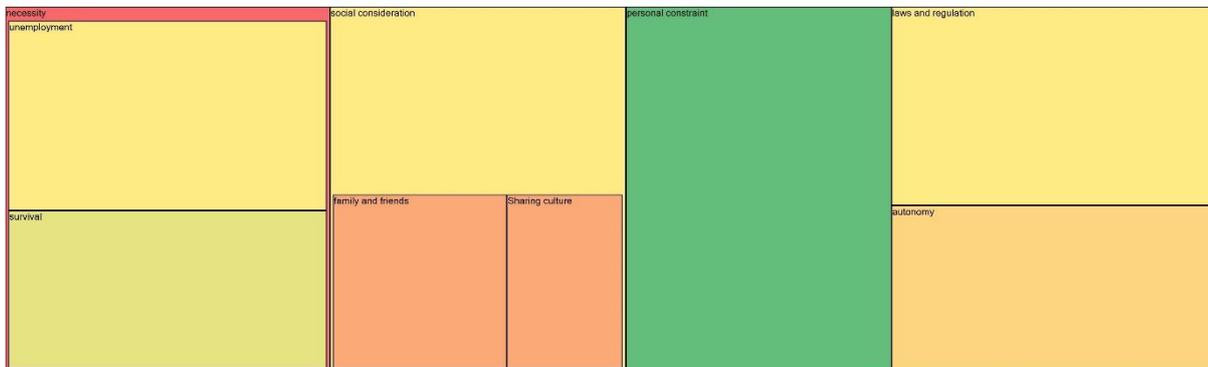
output **participant** **people** plant premise **primary** **product** products property quite really

register sarawak school **sectors** selling **services** share since small sometimes spend

stall **start** still style **therefore** thing things **think** transaction using working **years**

young

Nodes compared by number of items coded



Appendix 6: Word Saturation, Word Cloud – Formal Entrepreneurship

Word	Length	Count
business	8	195
informal	8	109
formal	6	104
register	8	65
transition	10	60
company	7	53
project	7	52
economy	7	50
factors	7	46
actually	8	45
influencing	11	42
money	5	39
small	5	35
people	6	34
start	5	30
customer	8	25
services	8	25
think	5	24
formalize	9	23
order	5	22
tuition	7	21
government	10	20
reason	6	20
therefore	9	18
brand	5	17
external	8	17
increase	8	17
become	6	16
better	6	16
enough	6	16
manage	6	16
timber	6	16
worker	6	16
years	5	16
education	9	15
gender	6	15
internal	8	15
level	5	15
participant	11	15

actually although another apply become better brand

business center coffee company comply

construction continue country **customer** customers decided degree different **economy** education electricity enough establish every example expenses exportation external

factors family first follow **formal** formalize freelancer gangster gender

goals government happy honestly however illegal income increase **influencing**

informal **internal** involve issues kuching level machine machines manage

money months officer operate order participant people person **project**

promote protection purchase rather really reason **register** registered requirement

scare sectors **services** slowly **small** sometimes stall **start** still students suppliers teach

tender therefore thing think timber tiring **transition** tuition using whether worker workers years

Nodes compared by number of items coded

